THE QUÉBEC ECONOMIC PLAN

March 2017

Québec

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The Québec Economic Plan – March 2017

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THE QUÉBEC ECONOMIC PLAN

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HIGHLIGHTS

Thanks to sound management of the economy and public finances, the budget is on course to be balanced for the second year in a row and Québec's economy has accelerated.

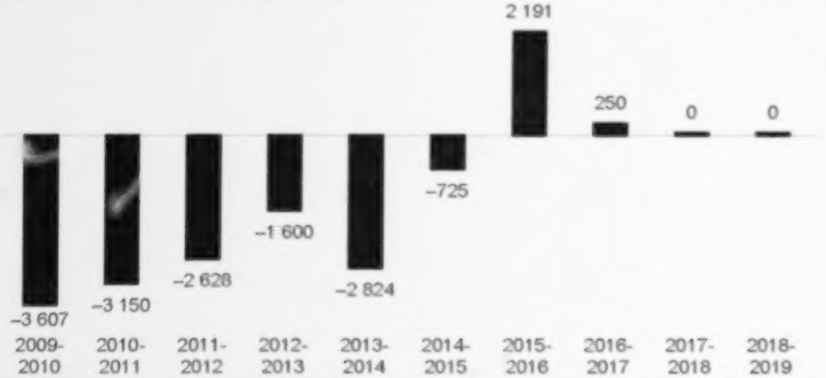
The March 2017 Québec Economic Plan provides for continued fiscal balance in 2017-2018 and subsequent years. In addition, it contains new initiatives that will benefit all Quebecers.

In particular, the Québec Economic Plan provides for:

- maintenance of a balanced budget;
- additional investments to:
  - foster lifelong educational success starting in early childhood,
  - improve access to quality health services,
  - support economic development in all regions,
  - improve Quebecers' living standards.
- maintenance of a high level of infrastructure investment;
- ongoing debt reduction through deposits of dedicated revenues in the Generations Fund.

CHART 1

Budgetary balance,[1] 2009-2010 to 2018-2019
(millions of dollars)



(1) Budgetary balance within the meaning of the *Balanced Budget Act*.

MAINTENANCE OF A BALANCED BUDGET

☐ The government's financial framework

The government's financial framework achieves a balanced budget in 2017-2018 and subsequent years.

— For 2016-2017, the Québec Economic Plan projects a budgetary surplus of $250 million.

Consolidated revenue growth is forecast at 3.7% in 2017-2018 and 2.7% in 2018-2019. For the same years, consolidated expenditure growth is forecast at 3.6% and 2.5%, respectively.

Over the period covered by the financial framework, consolidated revenue will be used to finance expenditures and the deposits in the Generations Fund needed to achieve the debt reduction objectives by 2025-2026.

— Deposits of dedicated revenues in the Generations Fund will reach $2.5 billion in 2017-2018 and $2.8 billion in 2018-2019.

TABLE 1

Consolidated financial framework – Québec Economic Plan
(millions of dollars)

	2016-2017	2017-2018	2018-2019
Own-source revenue	81 968	84 279	87 004
% change	*0.9*	*2.8*	*3.2*
Federal transfers	20 498	22 029	22 221
% change	*8.4*	*7.5*	*0.9*
Consolidated revenue	**102 466**	**106 308**	**109 225**
% change	***2.3***	***3.7***	***2.7***
Mission expenditures	–90 387	–93 852	–96 533
% change	*4.5*	*3.8*	*2.9*
Debt service	–9 687	–9 868	–9 758
% change	*–3.2*	*1.9*	*–1.1*
Consolidated expenditure	**–100 074**	**–103 720**	**–106 291**
% change	***3.7***	***3.6***	***2.5***
Contingency reserve	–100	–100	–100
SURPLUS	**2 292**	**2 488**	**2 834**
BALANCED BUDGET ACT			
Deposits of dedicated revenues in the Generations Fund	–2 042	–2 488	–2 834
BUDGETARY BALANCE(1)	**250**	**—**	**—**

(1) Budgetary balance within the meaning of the *Balanced Budget Act*.

❑ Change in expenditure

A balanced budget and sound fiscal management gives the government the means to speed up investment in public services, while exercising discipline and caution.

The government was thus able to begin strengthening the funding of public services in 2016-2017.

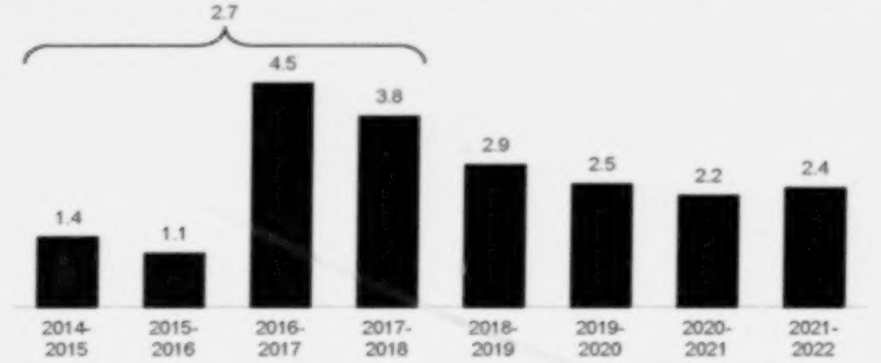
— Growth in mission expenditures is set at 4.5% in 2016-2017 and 3.8% in 2017-2018.

From 2014-2015 to 2017-2018, the average rate of annual spending growth will be 2.7%.

For the coming years, expenditure growth is determined on the basis of revenue growth.

CHART 2

Growth in mission expenditures[1] – 2014-2015 to 2021-2022
(per cent)



[1] Consolidated expenditure excluding debt service.

SHARP ACCELERATION IN THE QUÉBEC ECONOMY

As projected in the March 2016 Québec Economic Plan, the Québec economy picked up pace considerably. Growth in real gross domestic product (GDP) accelerated from 1.2% in 2015 to 1.7% in 2016, the biggest expansion of economic activity since 2011.

- In 2016, economic growth was stronger in Québec than in Canada (+1.4%) and the United States (+1.6%).

The acceleration of economic activity was mainly driven by increased spending by Québec households.

- Households benefited from strong job creation, particularly full-time and private-sector employment.
  - From January to December 2016, the Québec economy created 90 800 jobs. Québec thus outperformed Ontario (83 600 jobs) and British Columbia (75 500 jobs) in terms of job creation.

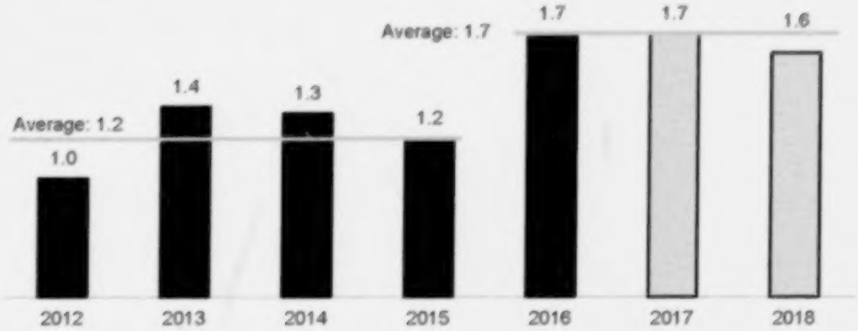
Québec's sound public finances are reflected in consumer and business confidence, which reached all-time highs in 2016.

Economic conditions will remain favourable in the coming years. Real GDP growth is forecast at 1.7% in 2017 and 1.6% in 2018.

- The contributing factors in the economy's good performance in 2016 will continue to drive economic growth.
- In addition, the Québec economy will benefit from the strengthening Canadian and U.S. economies.

CHART 3

Economic growth in Québec
(real GDP, percentage change)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

FOSTERING LIFELONG EDUCATIONAL SUCCESS STARTING IN EARLY CHILDHOOD

The return to sound, solid public finances enables the government to implement developmental measures that target educational success from early childhood throughout life.

❑ An additional $3 438 million to better support children and students

The Québec Economic Plan makes provisions for additional investments of:

— $130 million for educational success starting in early childhood;

— $1.8 billion to enhance support for students throughout their school path;

— $1.1 billion for higher education to enhance the quality of training and increase the higher education graduation rate;

— $363 million to better financially support students.

Starting in September 2017, nearly 1 500 additional staff who provide direct services to students will support them in their learning paths. In the higher education sector, the investments will provide colleges and universities with sufficient funds to hire 500 staff to train and support students.

TABLE 2

Additional investments under the Plan for Success: A Lifelong Process from Early Childhood
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
An initial educational success policy							
– Early childhood	27	21	21	21	21	21	130
– Preschool, elementary and secondary school	23	170	245	345	445	600	1 828
Higher education geared to Québec's future needs							
– Offer more extensive means to higher education	12	100	170	235	300	300	1 117
– Enhanced student aid	—	43	80	80	80	80	363
TOTAL	**62**	**333**	**515**	**681**	**846**	**1 001**	**3 438**

Note: Totals may not add due to rounding.

❑ An additional $1 130 million in infrastructure to promote a healthy, inspiring, connected environment

Provision is also made for an additional $1.1 billion in investments in educational infrastructure to, among other things, enhance the overall state of assets, expand educational facilities and implement the digital strategy.

IMPROVING ACCESS TO QUALITY HEALTH SERVICES

The government has made health one of its priorities. Efforts have been made in recent years to ensure the quality of health services. In particular, the government has undertaken a major reform with the aim of:

- improving access to quality health services;
- making the health care system more efficient;
- reviewing the funding of health and social services by implementing a patient-based funding model.

The Québec Economic Plan provides for ongoing reform of the health and social services network with additional investments of $772 million in 2017-2018 and $1 182 million in 2018-2019. These investments will, in particular:

- raise spending by health institutions to a level that enables them to improve care access and quality;
- support the autonomy of seniors living at home and in residential and long-term care centres (CHSLDs);
- support people with an autism spectrum disorder and their families and reduce waiting lists;
- focus on health prevention.

In 2017-2018, the additional investments will raise program spending on health and social services to $36 764 million, an increase of 4.2% over 2016-2017.

TABLE 3

Additional investments in health and social services
(millions of dollars)

	2017-2018	2018-2019
Additional funding for health institutions	328	738
Reduction in hospital wait times	100	100
Increase in priority health and social services	100	100
Support for the autonomy of seniors	69	69
Residential and long-term care centres (CHSLDs)	65	65
Diagnostic services and surgery	41	41
Support for people with an autism spectrum disorder	29	29
Focus on health prevention	20	20
Specialized nurse practitioners	10	10
Support Program for Community Organizations	10	10
Total – Additional investments	**772**	**1 182**
Amount drawn from the Contingency Fund	–30	—
TOTAL INCREASES	**742**	**1 182**

SUPPORTING ECONOMIC DEVELOPMENT IN ALL REGIONS

The March 2017 Québec Economic Plan provides for initiatives to address the challenges facing the Québec economy, in particular by:

- increasing sustainable mobility through public transit;
- taking action to:
  - stimulate research and innovation,
  - promote entrepreneurship and ensure financing for growing businesses,
  - meet labour needs,
  - encourage business investment,
  - foster economic development in all regions,
  - increase the visibility of Québec culture.

TABLE 4

Measures under the March 2017 Québec Economic Plan to support economic development in all regions
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Increase sustainable mobility through public transit	**—**	**61**	**124**	**518**	**525**	**263**	**1 491**
Foster economic development							
Stimulate research and innovation to build the Québec of tomorrow	199	70	115	145	153	152	834
Promote entrepreneurship and ensure financing for growing businesses(1)	28	66	77	82	87	92	432
Meet labour needs(1)	—	27	35	37	40	43	182
Encourage business investment	—	20	56	59	26	4	165
Foster economic development in all regions	38	187	222	230	264	301	1 241
Increase the visibility of Québec culture	12	11	17	16	26	31	113
Subtotal	**276**	**382**	**522**	**570**	**595**	**622**	**2 966**
TOTAL	**276**	**443**	**646**	**1 088**	**1 120**	**885**	**4 457**

Note: Totals may not add due to rounding.
(1) Excluding the measures under the Plan for Success: A Lifelong Process from Early Childhood.

IMPROVING QUEBECERS' LIVING STANDARDS

The government is continuing its initiatives to, in particular, reduce the tax burden on Quebecers and combat poverty and social exclusion.

To that end, substantial investments are planned to:

- ease the tax burden on individuals through:
  - a general reduction in personal income tax as of 2017,
  - a refund of the health contribution paid in 2016, for taxpayers with an income of $134 095 or less.
- encourage eco-friendly renovations by extending the RénoVert tax credit;
- step up action to combat issues specific to the most vulnerable people and communities, especially:
  - combat poverty and social exclusion,
  - support Aboriginal communities,
  - improve access to justice,
  - take action on gender equality,
  - fight bullying.

The measures to improve Quebecers' living standards over the coming years total more than $2.8 billion.

TABLE 5

Measures under the March 2017 Québec Economic Plan to improve Quebecers' living standards
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Reduction of the tax burden on individuals	494	506	310	269	274	280	2 132
Extension of the RénoVert tax credit to March 31, 2018	—	126	42	—	—	—	167
Support for individuals and communities	21	30	62	74	150	178	515
TOTAL	**515**	**661**	**414**	**343**	**424**	**458**	**2 814**

Note: Totals may not add due to rounding.

HIGH CAPITAL INVESTMENTS

To meet Québec's significant needs respecting quality public infrastructure, the government will maintain a high level of public capital investment under the 2017-2027 Québec Infrastructure Plan (QIP).

The government is announcing investments totalling $91.1 billion under the 2017-2027 QIP, an increase of $2.4 billion compared to the 2016-2026 QIP.

These substantial investments will be carried out by giving priority to public safety, replacement of outdated infrastructure and economic development.

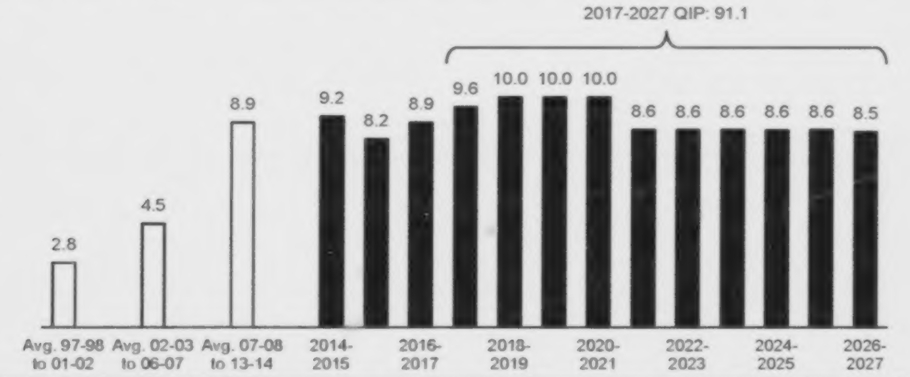
The 2017-2027 QIP confirms the Québec government's support of three major public transit projects in the metropolis and the Capitale-Nationale region.

The government is announcing the provision of Québec's share of the funding for the following projects:

- the Réseau électrique métropolitain (REM);[1]
- extension of the Montréal métro blue line;
- Québec-Lévis bus rapid transit (BRT).

CHART 4

Investments under the 2017-2027 Québec Infrastructure Plan
(billions of dollars)



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[1] In respect of investments related to the REM.

ONGOING EFFORTS TO REDUCE THE DEBT

The government set debt reduction objectives that are written into the *Act to reduce the debt and establish the Generations Fund*. For fiscal 2025-2026:

— the gross debt may not exceed 45% of GDP;

— the debt representing accumulated deficits may not exceed 17% of GDP.

The gross debt burden has been declining since 2016. As at March 31, 2017, it will stand at 52.7% of GDP, a 0.7-percentage-point decrease over March 31, 2016.

The debt representing accumulated deficits will stand at 30.1% of GDP as at March 31, 2017, also a decrease over March 31, 2016.

Today, Québec is well positioned to meet the targets it set for itself and wrote into the Act. Fiscal balance has been restored and the debt burden has started to decline. Reducing the debt burden must remain a priority.

Staying the course is of vital importance for present and future generations. Easing the debt burden is investing in making Québec more competitive, improving Québecers' living standards and ensuring the delivery of quality public services.

CHART 5

Gross debt as at March 31

(percentage of GDP)

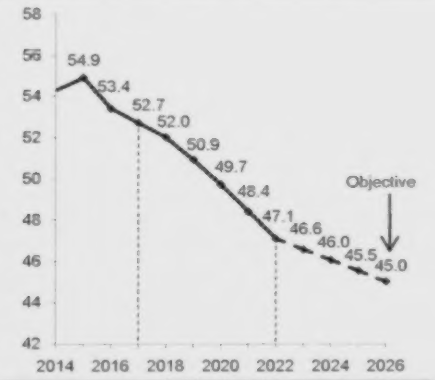
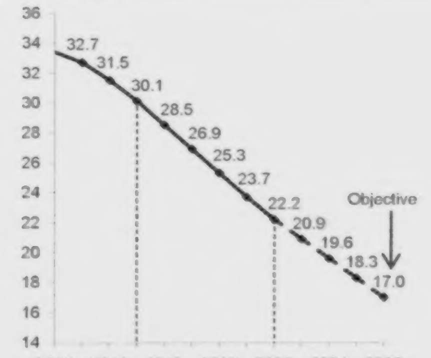


CHART 6

Debt representing accumulated deficits as at March 31

(percentage of GDP)



Section A

THE GOVERNMENT'S ECONOMIC AND FISCAL POLICY DIRECTIONS

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INTRODUCTION

The government implemented the Québec Economic Plan in April 2014. The plan has enabled the government to achieve and maintain a balanced budget while providing substantial support for economic recovery.

The government's action has been successful: thanks to sound management of the economy and public finances, the budget is on course to be balanced for the second year in a row and Québec's economy has accelerated.

The March 2017 Québec Economic Plan provides for continued fiscal balance in 2017-2018 and subsequent years. In addition, it contains new initiatives that will benefit all Quebecers.

This section provides an overview of the government's economic and fiscal policy directions and the adopted means for continuing its sound management of public finances.[1] It discusses:

- the Québec government's fiscal policy directions;
  - The five-year financial framework includes revenue and expenditure forecasts.
    - A budgetary surplus of $250 million is projected for 2016-2017. A balanced budget is forecast for subsequent years.
  - The government is maintaining its deposits in the Generations Fund to reduce the debt and increase investment in public infrastructure.
- the Québec Economic Plan.
  - The improvement in Québec's financial situation enables additional investments to fund the government's major missions, that is, education and health.
  - The Québec Economic Plan provides for measures to support the economic development of all regions. In particular, substantial investments are planned to improve public transit.
  - It also includes new initiatives to improve Quebecers' living standards, in particular by easing the tax burden on taxpayers.

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[1] Unless otherwise indicated, this document is based on the data available as at March 13, 2017. Throughout this section, the budgetary data for 2016-2017 and subsequent years are forecasts.

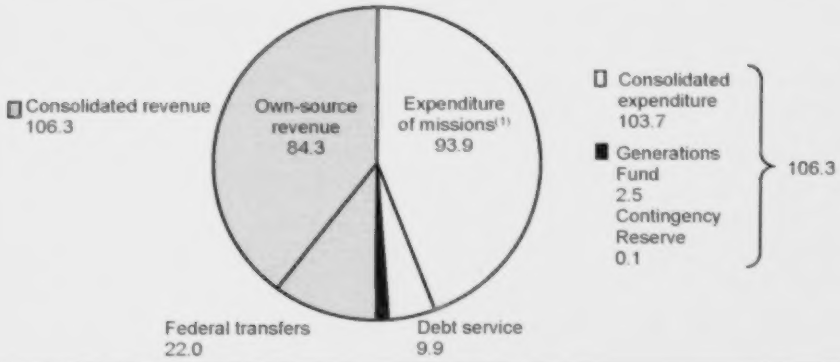
Government revenue and expenditure

In 2017-2018, government revenue will stand at $106.3 billion and will be used to finance:

- — expenditures for the government's various missions, that is, spending for its primary functions, for a total of $93.9 billion;
- — debt service, for a total of $9.9 billion;
- — a $100-million contingency reserve;
- — deposits in the Generations Fund, totalling $2.5 billion.

CHART A.1

Breakdown of the government's consolidated revenue and expenditure, 2017-2018
(billions of dollars)



Note: Totals may not add due to rounding.
(1) The missions represent the government's primary functions: Health and Social Services, Education and Culture, Economy and Environment, Support for Individuals and Families, and Administration and Justice.

1. THE GOVERNMENT'S FISCAL POLICY DIRECTIONS

The March 2017 Québec Economic Plan is an opportunity for the government to reiterate its fiscal policy directions and align them with the current economic situation.

More specifically, the government's fiscal policy directions provide for:

- maintenance of a balanced budget;
- more extensive means to educational success from early childhood and throughout life;
- better access to health services;
- maintenance of a high level of public capital investments;
- ongoing debt reduction through deposits of dedicated revenues in the Generations Fund.

1.1 Recent developments in the Québec economy

❑ Sharp acceleration in Québec's economy

The Québec economy has picked up pace considerably. Real gross domestic product (GDP) growth accelerated from 1.2% in 2015 to 1.7% in 2016, the biggest expansion of economic activity since 2011.

— In 2016, economic growth was stronger in Québec than in Canada (+1.4%) and the United States (+1.6%).

The acceleration of economic activity was mainly driven by Québec households:

— Households benefited from strong job creation, particularly full-time and private-sector employment.

— Québec's sound public finances are reflected in consumer and business confidence, which were at all-time highs in 2016.

The growth momentum in the economy is expected to continue in the coming years. Real GDP growth is forecast at 1.7% in 2017 and 1.6% in 2018.

— The contributing factors in the good economic performance in 2016 will continue to support economic growth in the next two years.

— In addition, the strengthening Canadian and U.S. economies will benefit Québec exports in particular.

TABLE A.1

Economic growth
(real GDP, percentage change)

	2015	2016	2017	2018
Québec	1.2	1.7	1.7	1.6
Ontario	2.5	2.6	2.0	2.1
Canada	0.9	1.4	1.9	2.0
United States	2.6	1.6	2.2	2.3

Sources: Institut de la statistique du Québec, Statistics Canada, Conference Board of Canada, IHS Markit and Ministère des Finances du Québec.

❑ Strong job creation that reflects the favourable economic situation

Job creation was robust in 2016. From January to December 2016, 90 800 jobs were created in Québec. In 2016, the gain represents an average of 36 100 jobs compared to 2015.

The majority of jobs created were full-time and concentrated in the private sector. From January to December 2016:

— the Québec economy added 83 800 full-time jobs;

— the number of private-sector payroll jobs rose by 75 800.

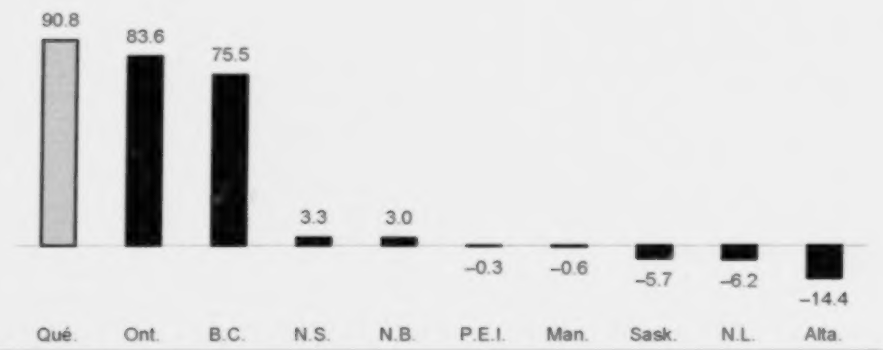
Over the same period, Québec created the most jobs (+90 800) in Canada, outperforming Ontario (+83 600) and British Columbia (+75 500).

The strong employment growth in 2016 is the outcome of a healthy economy.

— It testifies to consumer and business confidence in Québec's economic outlook.

CHART A.2

Job creation in Canada, January to December 2016
(thousands)



Source: Statistics Canada.

1.2 Recent developments in the budgetary situation

The government committed to restoring public finances in a sustainable manner. The budget will remain balanced in 2017-2018, for the third consecutive year.

Keeping the budget balanced is a crucial condition for Québec's economic development and prosperity.

— It requires responsible management of public finances and demands that expenditure be balanced against revenue growth.

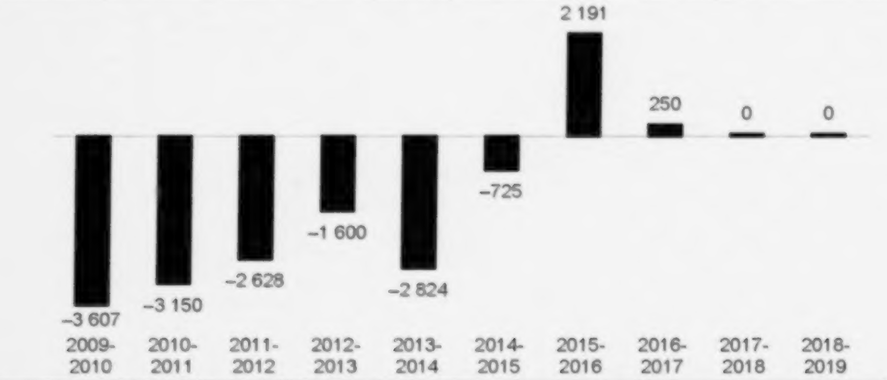
— It enables gradual reduction of the debt burden for the benefit of all Quebecers, present and future generations.

1.2.1 Maintenance of a balanced budget

The March 2017 Québec Economic Plan projects a budgetary surplus of $250 million in 2016-2017 and a balanced budget in subsequent years.

CHART A.3

Budgetary balance,[1] 2009-2010 to 2018-2019
(millions of dollars)



[1] Budgetary balance within the meaning of the *Balanced Budget Act*.

☐ Additional investments in 2016-2017

The improvement in the financial situation since the beginning of 2016-2017 has firmed up and allows the government to launch new initiatives to improve Quebecers' living standards and foster Québec's economic development.

The improvements in revenue and debt service noted during the year have made it possible to fund new initiatives.

In particular, own-source revenue is adjusted upward by $462 million in 2016-2017 and debt service, downward by $716 million.

— This improvement provides funding for initiatives totalling $515 million to improve Quebecers' living standards, mostly as a result of the refund of the health contribution paid in 2016.

In addition, measures totalling $176 million are planned in 2016-2017 to support economic development in all regions. These initiatives are being funded out of budgetary resources made available during the year.

TABLE A.2

Québec Economic Plan – Additional investments in 2016-2017
(difference in relation to March 2016, millions of dollars)

	2016-2017
BUDGETARY BALANCE – MARCH 2016	—
Improvement in economic situation and sound management of public finances	
– Additional own-source revenue	462
– Reduction in debt service	716
– Responsible management of spending	176
Subtotal	**1 354**
New initiatives	
– Support economic development in all regions[1]	–176
– Improve Quebecers' living standards	–515
– Investments – Fall 2016	–235
Subtotal	**–926**
Contingency reserve	300
Other elements	–478
BUDGETARY BALANCE – MARCH 2017	**250**

(1) This is in addition to the $100 million in new initiatives announced in the October 2016 update of the Québec Economic Plan.

1.2.2 Adjustments to the financial framework

Overall, the acceleration in the economy, strong job creation and sound management of public finances result in positive adjustments to the financial framework for 2016-2017 and subsequent years relative to the March 2016 Québec Economic Plan.

❑ 2016-2017

For 2016-2017:

— own-source revenue is adjusted upward by $462 million due, in particular, to the improvement in the economy and an increase in personal income tax and corporate taxes;

— debt service is adjusted downward by $716 million due, in particular, to lower-than-expected interest rates.

These adjustments have allowed for, among other things, measures totalling $515 million to improve Quebecers' living standards and $276 million to support the various sectors of the Québec economy.

Moreover, a budgetary surplus of $250 million is forecast.

❑ 2017-2018 and 2018-2019

Improvements related to the economy represent close to $1.6 billion for 2017-2018 and nearly $2.2 billion for 2018-2019. Furthermore:

— debt service is adjusted downward by $507 million in 2017-2018 and $555 million in 2018-2019, more than offsetting the decline in revenue from government enterprises;

— there were also improvements in own-source revenue and federal transfers.

These improvements in the financial framework are fully reinvested in:

— funding additional services for education and families, higher education, as well as health and social services;

— supporting economic development in all regions of Québec;

— improving Quebecers' living standards.

TABLE A.3

Québec Economic Plan – Adjustments to the financial framework
(difference in relation to March 2016, millions of dollars)

	2016-2017	2017-2018	2018-2019
BUDGETARY BALANCE – MARCH 2016	—	—	—
ADJUSTMENTS RELATED TO THE ECONOMY			
Own-source revenue	462	507	699
Revenue from government enterprises	109	–206	–254
Federal transfers	38	829	1 165
Debt service	716	507	555
Consolidated entities	–447	–34	10
TOTAL – ADJUSTMENTS RELATED TO THE ECONOMY	**878**	**1 603**	**2 175**
QUÉBEC ECONOMIC PLAN			
Additional investments in public services			
– Education and families	–50	–190	–265
– Higher education	–12	–143	–250
– Health and social services	–100	–742	–1 182
Subtotal	**–162**	**–1 075**	**–1 697**
Actions to support the economy			
– Support economic development in all regions	–276	–443	–646
– Improve Quebecers' living standards	–515	–661	–414
Subtotal	**–791**	**–1 104**	**–1 060**
TOTAL – QUÉBEC ECONOMIC PLAN	**–953**	**–2 179**	**–2 757**
Contingency reserve	300	300	300
Other adjustments	25	276	282
BUDGETARY BALANCE – MARCH 2017	**250**	—	—

1.3 Fiscal outlook

1.3.1 The government's five-year financial framework

This section presents the government's fiscal outlook for the years 2016-2017 to 2021-2022.

- A surplus of $250 million is anticipated in 2016-2017.
- For 2017-2018, the government projects a balanced budget for the third year in a row.

Consolidated revenue growth will be 3.7% in 2017-2018 and 2.7% in 2018-2019. For the same years, consolidated expenditure growth is forecast at 3.6% and 2.5%, respectively.

The financial framework provides for a contingency reserve of $100 million for 2016-2017 to 2019-2020, $400 million in 2020-2021 and $900 million in 2021-2022.

Over the period covered by the financial framework, total revenue will be used to finance expenditures and the deposits of dedicated revenues in the Generations Fund needed to achieve the debt reduction objectives[2] by 2025-2026.

- Deposits in the Generations Fund will reach $2.5 billion in 2017-2018 and $2.8 billion in 2018-2019.

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[2] The debt reduction objectives are presented on page A.35 of this section.

TABLE A.4

Consolidated financial framework, 2016-2017 to 2021-2022

(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
Consolidated revenue						
Personal income tax	29 686	30 569	31 868	33 066	34 288	35 657
Contributions for health services	6 022	6 036	6 143	6 305	6 452	6 654
Corporate taxes	6 890	7 227	7 484	7 690	7 898	8 064
School property tax	2 164	2 257	2 327	2 385	2 452	2 528
Consumption taxes	19 188	19 681	20 077	20 431	20 927	21 376
Duties and permits	3 328	3 710	3 822	3 973	3 905	3 665
Miscellaneous revenue	9 937	10 319	10 881	11 258	11 819	12 254
Government enterprises	4 753	4 480	4 402	4 582	4 711	4 844
Own-source revenue	**81 968**	**84 279**	**87 004**	**89 690**	**92 452**	**95 042**
% change	***0.9***	***2.8***	***3.2***	***3.1***	***3.1***	***2.8***
Federal transfers	20 498	22 029	22 221	22 553	23 156	24 235
% change	*8.4*	*7.5*	*0.9*	*1.5*	*2.7*	*4.7*
Total consolidated revenue	**102 466**	**106 308**	**109 225**	**112 243**	**115 608**	**119 277**
% change	***2.3***	***3.7***	***2.7***	***2.8***	***3.0***	***3.2***
Consolidated expenditure						
Health and Social Services	−38 556	−40 223	−41 670	−42 843	—	—
Education and Culture	−21 707	−22 662	−23 433	−24 089	—	—
Economy and Environment	−12 698	−12 965	−13 352	−13 681	—	—
Support for Individuals and Families	−9 915	−9 935	−10 130	−10 265	—	—
Administration and Justice	−7 511	−8 067	−7 948	−8 039	—	—
Mission expenditures	**−90 387**	**−93 852**	**−96 533**	**−98 917**	**−101 133**	**−103 554**
% change	***4.5***	***3.8***	***2.9***	***2.5***	***2.2***	***2.4***
Debt service	−9 687	−9 868	−9 758	−10 010	−10 448	−10 834
% change	*−3.2*	*1.9*	*−1.1*	*2.6*	*4.4*	*3.7*
Total consolidated expenditure	**−100 074**	**−103 720**	**−106 291**	**−108 927**	**−111 581**	**−114 388**
% change	***3.7***	***3.6***	***2.5***	***2.5***	***2.4***	***2.5***
Contingency reserve	−100	−100	−100	−100	−400	−900
SURPLUS	**2 292**	**2 488**	**2 834**	**3 216**	**3 627**	**3 989**
BALANCED BUDGET ACT						
Deposits of dedicated revenues in the Generations Fund	−2 042	−2 488	−2 834	−3 216	−3 627	−3 989
BUDGETARY BALANCE[1]	**250**	—	—	—	—	—

[1] Budgetary balance within the meaning of the *Balanced Budget Act*.

❑ Mission expenditures

The government divides its primary functions, or major areas of activity, into five public service missions, namely:

- Health and Social Services, which consists primarily of the activities of the health and social services network and the programs administered by the Régie de l'assurance maladie du Québec;
- Education and Culture, which consists primarily of the activities of the education networks, student financial assistance, programs in the culture sector and immigration-related programs;
- Economy and Environment, which primarily includes programs related to economic development, employment assistance measures, international relations, the environment and infrastructure support;
- Support for Individuals and Families, which primarily includes last resort financial assistance, assistance measures for families and seniors, and certain legal aid measures;
- Administration and Justice, which consists of the activities of legislature, central bodies and public security, as well as administrative programs.

In 2017-2018, expenditures for the two chief missions will increase by:

- 4.3% for Health and Social Services;
- 4.0% for Education and Culture.

TABLE A.5

Mission expenditures[1]
(millions of dollars)

	2016-2017	2017-2018	*% change*
Health and Social Services	38 556	40 223	*4.3*
Education and Culture	21 707	22 662	*4.0*[2]
Economy and Environment	12 698	12 965	*2.1*
Support for Individuals and Families	9 915	9 935	*1.0*[2]
Administration and Justice	7 511	8 067	*7.4*
TOTAL	**90 387**	**93 852**	***3.8***

(1) Consolidated expenditure excluding debt service.

(2) To assess growth in 2017-2018 based on comparable spending levels, the percent changes for that year were calculated by excluding, from 2016-2017 expenditures, transfers from the provision for francization attributed to the Support for Individuals and Families mission ($75 million) and including them in the 2016-2017 expenditures of the Education and Culture mission.

Financial framework for the General Fund and consolidated entities

Financial framework for the General Fund and consolidated entities, 2016-2017 to 2021-2022
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
GENERAL FUND						
Revenue						
Own-source revenue excluding government enterprises	54 595	56 199	58 241	60 066	61 991	64 046
% change	*1.6*	*2.9*	*3.6*	*3.1*	*3.2*	*3.3*
Government enterprises	4 589	4 050	3 942	4 042	4 081	4 129
% change	*–6.6*	*–11.7*	*–2.7*	*2.5*	*1.0*	*1.2*
Federal transfers	18 584	20 053	20 359	21 022	21 780	22 862
% change	*6.7*	*7.9*	*1.5*	*3.3*	*3.6*	*5.0*
Total revenue	**77 768**	**80 302**	**82 542**	**85 130**	**87 852**	**91 037**
% change	***2.2***	***3.3***	***2.8***	***3.1***	***3.2***	***3.6***
Expenditure						
Program spending	–69 752	–72 591	–75 016	–77 239	–79 411	–81 631
% change	*3.8*	*4.1*	*3.3*	*3.0*	*2.8*	*2.8*
Debt service	–7 602	–7 776	–7 567	–7 625	–7 734	–7 813
% change	*–4.4*	*2.3*	*–2.7*	*0.8*	*1.4*	*1.0*
Total expenditure	**–77 354**	**–80 367**	**–82 583**	**–84 864**	**–87 145**	**–89 444**
% change	***2.9***	***3.9***	***2.8***	***2.8***	***2.7***	***2.6***
NET RESULTS OF CONSOLIDATED ENTITIES						
Non-budget-funded bodies and special funds(1)	–99	165	141	–166	–307	–693
Health and social services and education networks	35	—	—	—	—	—
Generations Fund	2 042	2 488	2 834	3 216	3 627	3 989
Total consolidated entities	**1 978**	**2 653**	**2 975**	**3 050**	**3 320**	**3 296**
Contingency reserve	–100	–100	–100	–100	–400	–900
SURPLUS	**2 292**	**2 488**	**2 834**	**3 216**	**3 627**	**3 989**
BALANCED BUDGET ACT						
Deposits of dedicated revenues in the Generations Fund	–2 042	–2 488	–2 834	–3 216	–3 627	–3 989
BUDGETARY BALANCE(2)	**250**	—	—	—	—	—

Note: Revenue and expenditure have been reclassified to account for the elimination of the Fund to Finance Health and Social Services Institutions.

(1) These results include consolidation adjustments.

(2) Budgetary balance within the meaning of the *Balanced Budget Act*.

❑ Shares of revenue and expenditure in the economy

The shares of government revenue and expenditure in the economy generally follow similar paths.

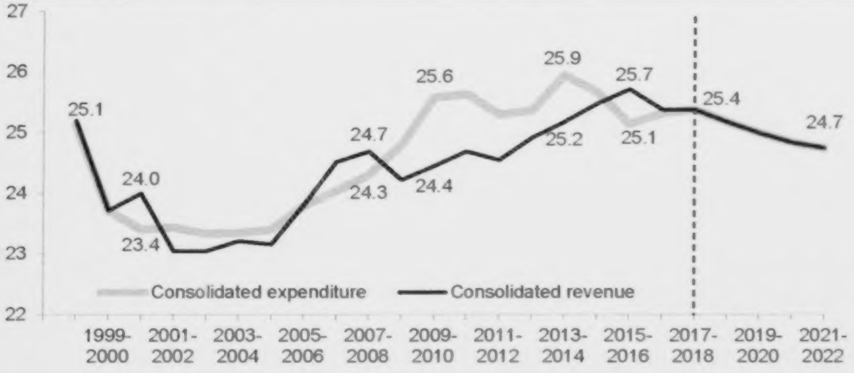
From 2008-2009 to 2013-2014, the share of expenditure in the economy exceeded that of revenue owing to the deficits. The share of expenditure rose steadily until 2013-2014, when it reached 25.9%.

In 2017-2018, both revenue and expenditure as a share of GDP will be 25.4%.

Within four years, the shares of both expenditure and revenue in the economy will gradually drop to 24.7%, a comparable level to that seen in 2007-2008, before the last recession.

CHART A.4

Change in the share of consolidated revenue(1) and expenditure in the economy – 1998-1999 to 2021-2022
(percentage of nominal GDP)



(1) Revenue excluding revenues dedicated to the Generations Fund and the contingency reserve.

1.3.2 Change in revenue

❑ Revenue growth in line with economic growth

Own-source revenue excluding government enterprises consists chiefly of tax revenue. Its growth generally reflects the changes in economic activity and the impact of measures introduced in the budgets.

In 2016-2017, growth in consolidated own-source revenue excluding government enterprises will be 1.3%.

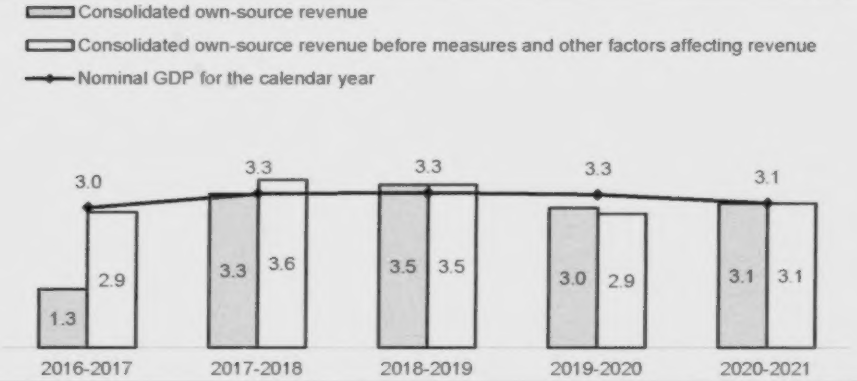
— Revenue growth in 2016-2017 will result primarily from the tax relief and economic support measures announced since Budget 2015-2016, including elimination of the health contribution as of 2016.

— Had it not been for those measures, own-source revenue growth would be 2.9%, a rate in line with economic growth.

Over the forecast period, revenue growth will accelerate in 2017-2018 and then keep pace with the economy.

CHART A.5

Growth in consolidated own-source revenue excluding government enterprises – 2016-2017 to 2020-2021
(per cent)



Revenue growth in line with economic growth

Growth in consolidated own-source revenue excluding government enterprises – 2016-2017 to 2020-2021

(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Own-source revenue	**81 968**	**84 279**	**87 004**	**89 690**	**92 452**
% change	***0.9***	***2.8***	***3.2***	***3.1***	***3.1***
Less: government enterprises	4 753	4 480	4 402	4 582	4 711
Own-source revenue excluding government enterprises	**77 215**	**79 799**	**82 602**	**85 108**	**87 741**
% change	***1.3***	***3.3***	***3.5***	***3.0***	***3.1***
Measures and other factors affecting revenue growth(1)					
Elimination of the health contribution as of 2016(2)	–705	–731	–754	–759	–759
Fight against climate change – Carbon market	266	541	477	495	306
Elimination of restrictions on input tax refunds for large businesses(3)	—	–22	–115	–220	–336
Five-year extension of the compensation tax for financial institutions	—	89	137	298	387
Maintenance of the tax credit with respect to age	–18	–38	–57	–77	–100
Other measures					
Budget 2017-2018	–17	–370	–402	–384	–357
Budget 2016-2017	–7	–42	–57	–71	–117
Budget 2015-2016	–52	–116	–187	–217	–217
December 2014 update	685	563	569	573	577
Budget 2014-2015	278	259	247	239	232
Other(4)	472	626	926	1 044	1 287
Subtotal	**901**	**759**	**784**	**920**	**903**
Own-source revenue excluding government enterprises before measures	**76 314**	**79 040**	**81 818**	**84 188**	**86 838**
% change	***2.9***	***3.6***	***3.5***	***2.9***	***3.1***
Nominal GDP growth	***3.0***	***3.3***	***3.3***	***3.3***	***3.1***

Note: Totals may not add due to rounding.

(1) Main measures affecting consolidated revenue growth.

(2) Includes the financial impact of the gradual elimination of the health contribution as of January 1, 2017 announced in Budget 2015-2016, the immediate reduction of the health contribution announced in Budget 2016-2017, the complete elimination of the health contribution as of January 1, 2017 and the refund of the health contribution paid in 2016.

(3) Businesses with taxable sales of over $10 million.

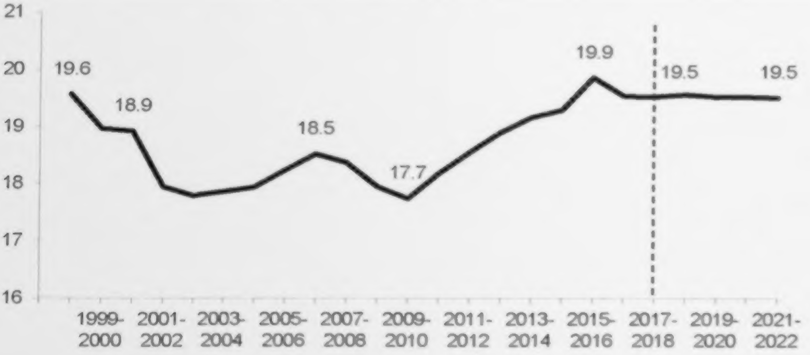
(4) Includes primarily the investment income of the Generations Fund.

Share of own-source revenue in the economy

Taking into account the complete elimination of the health contribution and the general income tax reduction as of 2017, the share of own-source revenue in the economy will stand at 19.5% in 2017-2018 and remain flat for the financial framework forecast period.

CHART A.6

Change in share of consolidated own-source revenue excluding government enterprises in the economy – 1998-1999 to 2021-2022
(percentage of nominal GDP)



Source: Ministère des Finances du Québec.

Change in the General Fund's revenue

The following table shows the revenue of the General Fund according to the reporting structure used in the monthly report on financial transactions.

Change in the revenue of the General Fund
(millions of dollars)

	2016-2017	2017-2018
Own-source revenue excluding government enterprises		
Income and property taxes		
Personal income tax	22 888	23 687
% change	*4.9*	*3.5*
Contributions to the Health Services Fund	7 240	7 261
% change	*–7.3*	*0.3*
Corporate taxes	4 990	5 311
% change	*7.4*	*6.4*
Consumption taxes	17 812	18 275
% change	*0.1*	*2.6*
Other revenue sources	1 665	1 665
% change	*–1.5*	*0.0*
Total own-source revenue excluding government enterprises	**54 595**	**56 199**
% change	***1.6***	***2.9***
Revenue from government enterprises	4 589	4 050
% change	*–6.6*	*–11.7*
Total own-source revenue	**59 184**	**60 249**
% change	***0.9***	***1.8***
Federal transfers		
Equalization	10 030	11 081
% change	*5.3*	*10.5*
Health transfers	5 946	6 110
% change	*8.4*	*2.8*
Transfers for post-secondary education and other social programs	1 635	1 640
% change	*6.0*	*0.3*
Other programs	973	1 222
% change	*12.7*	*25.6*
Total federal transfers	**18 584**	**20 053**
% change	***6.7***	***7.9***
TOTAL	**77 768**	**80 302**
% change	***2.2***	***3.3***

1.3.3 Change in expenditure

❑ Mission expenditures

Mission expenditures consist primarily of program spending by government departments and spending by special funds, non-budget-funded bodies and bodies in the health and social services and education networks.

With a balanced budget and the responsible management of public finances in recent years, the government was able to begin strengthening the funding of public services in 2016-2017.

— Expenditure grew from 1.1% in 2015-2016 to 4.5% in 2016-2017 and will increase by 3.8% in 2017-2018.

From 2014-2015 to 2017-2018, the average rate of annual spending growth will be 2.7%.

From 2018-2019 to 2021-2022, consolidated expenditure growth excluding debt service will be:

— 2.9% in 2018-2019;

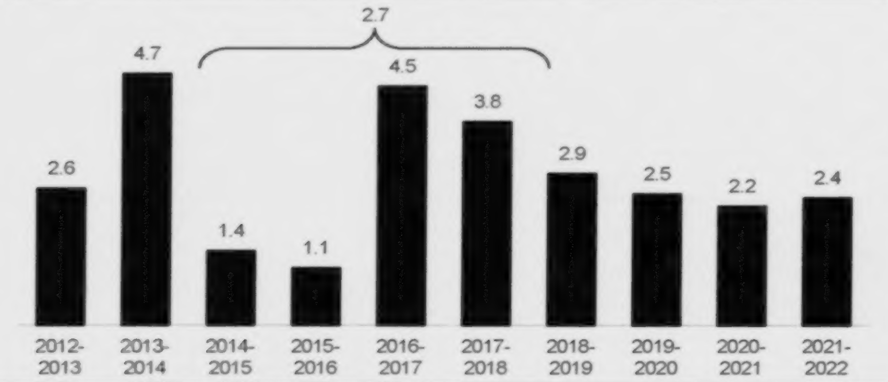
— 2.5% in 2019-2020;

— 2.2% in 2020-2021;

— 2.4% in 2021-2022.

CHART A.7

Growth in mission expenditures[1] – 2012-2013 to 2021-2022
(per cent)



(1) Consolidated expenditure excluding debt service.

Share of mission expenditures in the economy

Between 2007-2008 and 2013-2014, the economic weight of expenditure for the government's missions, that is, consolidated expenditure excluding debt service as a percentage of GDP, rose from 21.4% to 23.0%.

Between now and 2021-2022, spending as a share of the economy is expected to gradually fall to 22.4% thanks to ongoing responsible spending management and the anticipated good performance of the Québec economy.

— At the end of that period, mission expenditures as a share of the economy will remain higher than in the early 2000s.

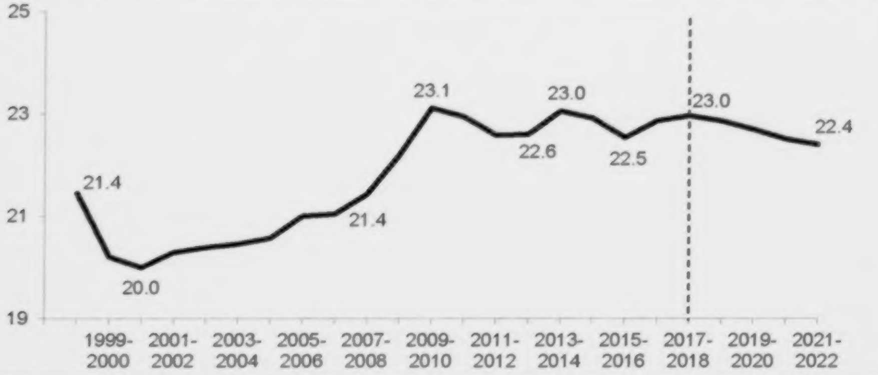
Reducing the economic weight of spending will:

— prevent high spending from undermining Québec's tax competitiveness and restraining its economic growth;

— maintain, in the event of an economic slowdown, the government's ability to further finance measures that may be needed to continue providing quality services and support the economy.

CHART A.8

Change in share of mission expenditures[(1)] in the economy – 1998-1999 to 2021-2022
(percentage of nominal GDP)



(1) Consolidated expenditure excluding debt service.

A comparative look at mission expenditures

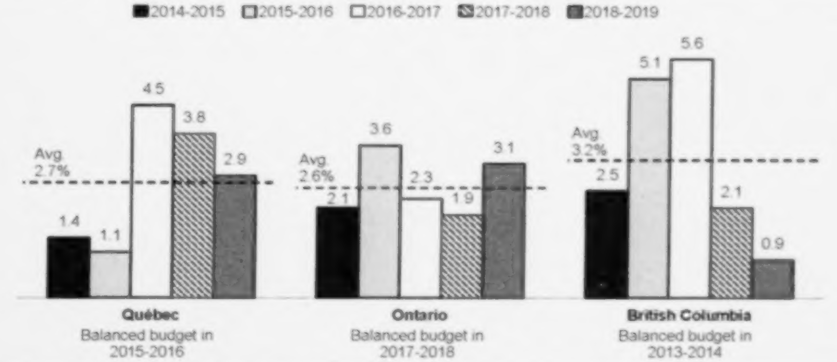
The forecast expenditure growth in Québec is comparable to the growth trend elsewhere in Canada.

To ensure the return to a balanced budget, Québec, Ontario and British Columbia slowed growth in their mission expenditures. Once the budget has been balanced, expenditure can grow at a higher rate.

Overall, Québec has held spending growth to a level comparable to that of Ontario and British Columbia.

- In Québec, the average rate of annual spending growth from 2014-2015 to 2018-2019 will be 2.7%, compared to 2.6% in Ontario and 3.2% in British Columbia.

Growth in provinces' mission expenditures(1)
(per cent)



(1) Consolidated expenditure excluding debt service.
Sources: Department of Finance Canada and Ministère des Finances du Québec.

Weight of mission expenditures in the economy in 2017-2018

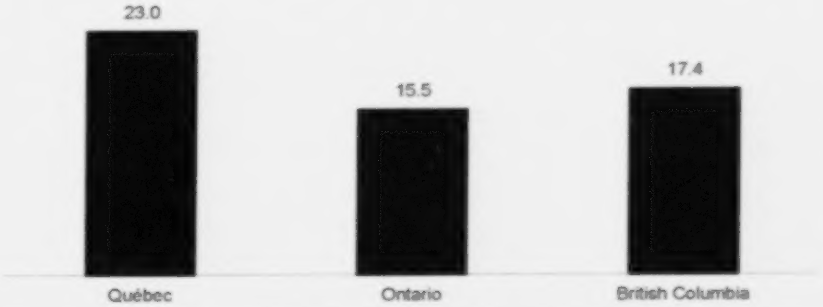
The share of mission expenditures in the economy is an indicator of the extent of the basket of public services provided by the government.

Of the three most populated provinces in Canada, Québec will have the highest level of mission expenditures as a share of the economy in 2017-2018, at 23.0%.

Expenditure as a share of the economy in 2017-2018 will be lower in Ontario and British Columbia than in Québec.

- Ontario's and B.C.'s mission expenditures as a share of the economy are 15.5% and 17.4%, respectively, roughly 7 percentage points lower than in Québec.

Mission expenditures as a share of the economy in 2017-2018
(percentage of GDP)



Sources: Department of Finance Canada, provincial budgets and fiscal updates.

☐ Program spending

Program spending consists of spending by government departments and is mainly tax-funded.

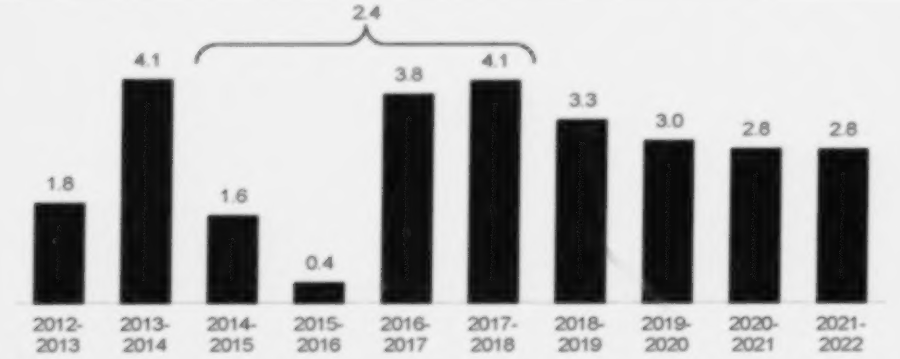
The forecast growth in program spending is 4.1% in 2017-2018, 3.3% in 2018-2019 and 3.0% in 2019-2020.

— Sound management of the economy and public finances enables additional investments in public services, particularly to support families, education, higher education, health and the economy.

From 2014-2015 to 2017-2018, the average annual growth rate of program spending will be 2.4%.

CHART A.9

Program spending growth[1] – 2012-2013 to 2021-2022
(per cent)



(1) Data have been restated to account for the elimination of the Fund to Finance Health and Social Services Institutions.

Program spending by major portfolio

Program spending will increase by 4.1% in 2017-2018, 3.3% in 2018-2019 and 3.0% in 2019-2020. In particular:

- program spending for the Santé et Services sociaux portfolio will rise by 4.2% in 2017-2018 and 3.8% in 2018-2019;
- program spending for the Éducation et Enseignement supérieur portfolio will increase by 4.2% in 2017-2018 and 3.8% in 2018-2019;
- overall, the funding allocated to the other portfolios will grow by 1.8% in 2017-2018 and 2.6% in 2018-2019.

The government invests in public services by:

- making education and higher education a priority to guarantee economic and social development;
- ensuring that health institutions provide access to quality care.

TABLE A.6

Program spending, by major portfolio
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020
Santé et Services sociaux(1)	35 269	36 764	38 169	39 335
% change	*2.9*	*4.2*	*3.8*	*3.1*
Éducation et Enseignement supérieur	17 244	17 882	18 559	19 202
% change	*3.9*	*4.2(2)*	*3.8*	*3.5*
Other portfolios	16 685	17 067	17 502	17 667
% change	*2.3*	*1.8(2)*	*2.6*	*0.9*
Contingency Fund	554	879	536	536
Fiscal room	—	—	250	500
PROGRAM SPENDING	**69 752**	**72 591**	**75 016**	**77 239**
% change	***3.8***	***4.1***	***3.3***	***3.0***

Note: Totals may not add due to rounding.
(1) Includes the impact of the elimination of the Fund to Finance Health and Social Services Institutions.
(2) To assess growth in 2017-2018 based on comparable spending levels, the percent changes for that year were calculated by excluding, from 2016-2017 expenditures, transfers from the provision for francization attributed to the Éducation et Enseignement supérieur portfolio ($78.5 million) and including them in the 2016-2017 expenditures of the other portfolios.

Impact of the elimination of the Fund to Finance Health and Social Services Institutions

The Fund to Finance Health and Social Services Institutions (FINESSS)[1] will be eliminated on April 1, 2017.

Elimination of FINESSS will have no impact on the level of spending for the Health and Social Services mission.

- The fund's planned expenditures ($1 458 million) are now financed out of program spending for the Health and Social Services, which was adjusted by an equivalent amount.
  - Accordingly, program spending for the Health and Social Services in 2017-2018 will increase from $35 306 million to $36 764 million.

Total program spending will therefore be raised by $1 458 million.

The table below illustrates the impact of the elimination of FINESSS on program spending for the Health and Social Services.

Impact of the elimination of FINESSS on program spending for the Health and Social Services
(millions of dollars)

	2016-2017	2017-2018
Health and Social Services – Before elimination of FINESSS	33 811	35 306
% change	*3.2*	*4.4*
FINESSS expenditures	1 458	1 458
HEALTH AND SOCIAL SERVICES – AFTER ELIMINATION OF FINESSS	**35 269**	**36 764**
% change	***2.9***	***4.2***

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[1] FINESSS expenditures were financed, in particular, out of the health contribution.

1.4 Public capital investments

☐ 2017-2027 Québec Infrastructure Plan

To meet Québec's significant public infrastructure needs, the government will continue the high level of public capital investment under the 2017-2027 Québec Infrastructure Plan (QIP).

— The government is announcing investments totalling $91.1 billion under the 2017-2027 QIP, an increase of $2.4 billion compared to the 2016-2026 QIP.

TABLE A.7

Investments under the 2017-2027 Québec Infrastructure Plan
(billions of dollars)

	2017-2027
Investments planned under the 2016-2026 QIP	88.7
Increase in investments	2.4
INVESTMENTS PLANNED UNDER THE 2017-2027 QIP	**91.1**

Over the next four years, nearly $40 billion will be invested in Québec infrastructure.

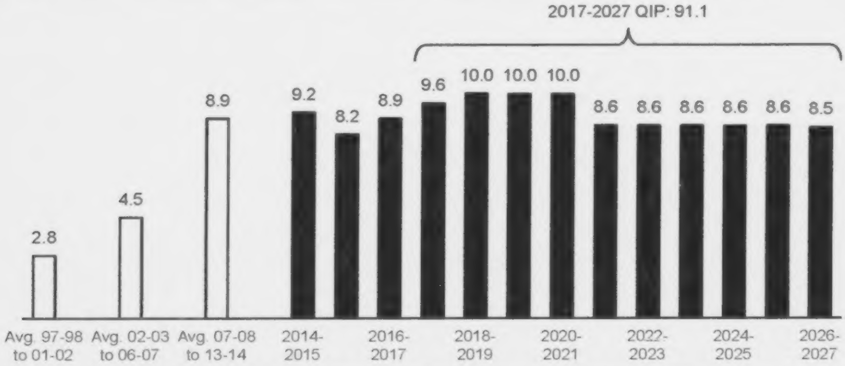
These substantial investments will be carried out by:

— giving priority to public safety, replacement of outdated infrastructure and economic development;

— remaining within Québec taxpayers' ability to pay and achieving the debt reduction objectives.

CHART A.10

Investments under the 2017-2027 Québec Infrastructure Plan
(billions of dollars)



❑ Development of three major public transit projects in Greater Montréal and the Capitale-Nationale region

The 2017-2027 QIP confirms the Québec government's support of three major public transit projects in the metropolis and the Capitale-Nationale region:

— the Réseau électrique métropolitain (REM);[3]

— extension of the Montréal métro blue line;

— Québec-Lévis bus rapid transit (BRT).

To support the above projects, the government is announcing, for the first time, that the sums required to fund these infrastructures will be earmarked under the 2017-2027 QIP.

The funding will be provided under the "public transit" component of the QIP once the preparatory work for implementation has been approved by the government.

The government expects to see an increase in ridership of around 5% as a result of these investments.

The 2017-2027 QIP also provides ongoing funding for other priority actions already undertaken in recent years to renew or upgrade school, hospital and road infrastructure.

Additional projects under study for the 2017-2027 QIP

Development of Route 170 in Saint-Bruno in the Saguenay–Lac-Saint-Jean region, and Route 169 to Alma.

Completion of Autoroute 70 between Grande-Anse and La Baie.

Upgrading of Autoroute Laurentienne between the Lebourgneuf exit and the Red Cross in the city of Québec.

Upgrading of Autoroute 50 between Gatineau and Mirabel.

Upgrading of Autoroute 55 between the Acadiens interchange and Autoroute 20 in the Centre-du-Québec region.

Development of Place Charles-Le Moyne in Longueuil.

Optimization of Autoroute 30 between autoroutes 10 and 20 in the Longueuil agglomeration.

A new link between Québec and Lévis.

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[3] In respect of investments related to the REM.

☐ Sectoral breakdown of investments under the 2017-2027 Québec Infrastructure Plan

Over the next ten years, 19.6% of the $91.1 billion in investments under the 2017-2027 QIP will be dedicated to the road network, 18.8% to the health and social services sector, 17.8% to the education, higher education and research sectors and 9.4% to municipal, sports, community and recreational infrastructure.

Public transit will receive 7.7% of the investments under the 2017-2027 QIP, or nearly $7.1 billion, including $825.9 million for fiscal year 2017-2018.

TABLE A.8

Investments under the 2017-2027 Québec Infrastructure Plan, by activity sector

	2017-2018		2017-2027	
	$million	%	$million	%
Road network	2 159.4	22.4	17 901.0	19.6
Health and social services	1 389.6	14.4	17 096.1	18.8
Education	1 250.9	13.0	8 879.4	9.7
Municipal, sports, community and recreational infrastructure	1 094.3	11.4	8 595.7	9.4
Higher education and research	961.9	10.0	7 348.9	8.1
Public transit	825.9	8.6	7 059.9	7.7
Information resources	398.2	4.1	3 400.3	3.7
Marine, air, rail and other transportation	321.5	3.3	2 654.3	2.9
Government buildings	296.2	3.1	2 253.9	2.5
Social and community housing	253.1	2.6	2 082.5	2.3
Culture	154.6	1.6	1 525.2	1.7
Other sectors	469.9	4.9	3 527.3	3.9
Core funding(1)	48.0	0.5	8 775.4	9.6
2017-2027 QIP	**9 623.5**	**100.0**	**91 100.0**	**100.0**

Note: Totals may not add due to rounding.

(1) Amounts required to eventually fund and implement, in the short and medium terms, strategic initiatives recognized and prioritized by the government.

Breakdown by investment type

The total investments of $91.1 billion to be made under the 2017-2027 QIP will be allocated to:

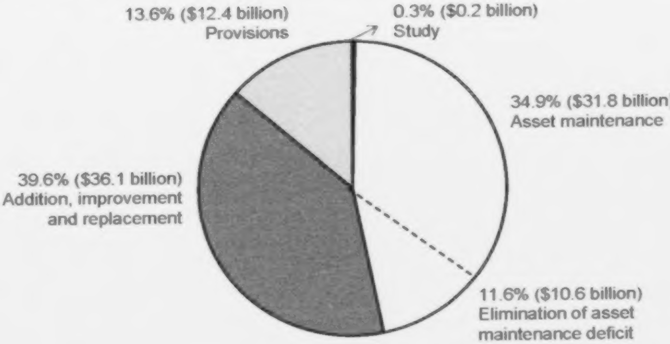
- asset maintenance and elimination of the asset maintenance deficit;
- the addition, improvement and replacement of public infrastructure;
- provisions[1] for future infrastructure investments that have not yet been authorized;
- studies on prospective infrastructure projects determined by the government.

In accordance with the prioritization of investments under the 2017-2027 QIP, 46.5% of investments is allocated to regular asset maintenance (34.9%) and elimination of the asset maintenance deficit (11.6%).

To help support the improvement of public services, more than one third (39.6%) of investments under the QIP will be used to add, improve and replace infrastructure.

Lastly, 13.6% will be allocated to the provision for future investments not yet authorized, and 0.3%, to studies on prospective projects.

Breakdown of 2017-2027 QIP, by investment type



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[1] Sectoral provisions and core funding.

☐ Contribution of partners

In addition to the Québec government's $91.1-billion investment in the 2017-2027 QIP, the government's various partners will contribute a total of $19.6 billion to QIP projects, including $3.9 billion in 2017-2018.

This raises the total level of capital investments for projects under the QIP to $110.7 billion over the next ten years, including $13.5 billion in 2017-2018.

TABLE A.9

Capital investments, 2017-2027
(billions of dollars)

	2017-2018	2017-2027
2017-2027 QIP	**9.6**	**91.1**
Contribution of partners[1]		
Federal government	2.1	10.1
Other partners	1.8	9.5
Total – Contribution of partners	**3.9**	**19.6**
TOTAL	**13.5**	**110.7**

(1) Federal government, municipalities and other partners.

☐ Economic impact of public capital investments

The substantial public capital investments planned for the coming years will be a powerful driver of economic activity and job creation in every region of Québec.

Capital investments in all sectors of the economy will help build a prosperous economy over the medium and long terms. In particular, investments in transportation infrastructure will facilitate trade, while investments in education will contribute to workforce training and research and innovation, two key determinants of productivity.

In addition to the government's investments under the QIP, government enterprises also make substantial capital investments.

In 2017-2018, capital investments by government enterprises, chiefly Hydro-Québec, will total $4.2 billion.

Counting the $9.6 billion planned under the QIP, public investments will total $13.8 billion in 2017-2018. These investments will:

— help create or maintain nearly 79 000 jobs, including 45 000 direct jobs;

— generate spinoffs equal to 2.2% of real GDP.

TABLE A.10

Economic impact of capital investments

	2017-2018
Investments under 2017-2027 QIP	$9.6 billion
Investments by government enterprises	$4.2 billion
Total investments	**$13.8 billion**
Number of jobs created or maintained	79 000
Impact on GDP	2.2%

Sources: © Gouvernement du Québec, Institut de la statistique du Québec, Results simulated using the Québec input-output model and Ministère des Finances du Québec.

☐ Greater importance of public capital stock in the economy

Over the coming years, the level of Québec government investments will average nearly $10 billion a year, thus remaining above pre-2008 levels.

These investments reached 2.3% of GDP in 2016-2017 and the same ratio is expected in the coming years.

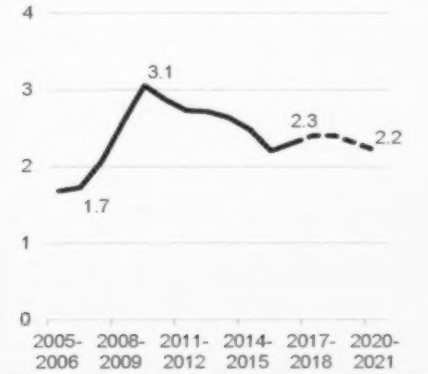
Investment targets of this level testify to the importance the government places on public infrastructure. Indeed, the Québec Infrastructure Plan contributes directly to the increase in public capital stock in the economy. Public capital stock is a key determinant of productivity and economic growth.

- Public capital stock rose from 22.5% of real GDP in 2000 to 28.4% of real GDP in 2016.
- This growth will restore and maintain public capital stock at an equivalent level to that in the early 1980s.

CHART A.11

Annual public capital investments of the Québec government

(percentage of GDP)

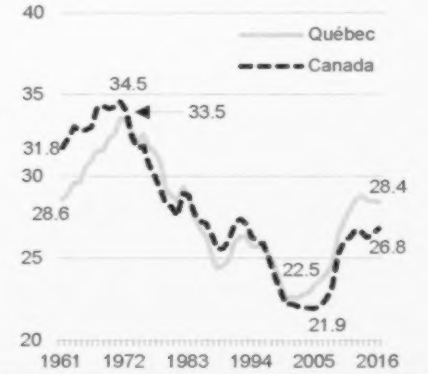


Sources: Institut de la statistique du Québec, Statistics Canada, Secrétariat du Conseil du trésor and Ministère des Finances du Québec.

CHART A.12

Change in public capital stock

(percentage of GDP, in real terms)



Sources: Institut de la statistique du Québec, Statistics Canada, Secrétariat du Conseil du trésor and Ministère des Finances du Québec.

1.5 Debt reduction

Reducing the debt burden is a priority. It is a matter of intergenerational equity. The government is maintaining its debt reduction objectives by making deposits in the Generations Fund and balancing the budget every year.

The government set debt reduction objectives that are written into the *Act to reduce the debt and establish the Generations Fund*. For fiscal year 2025-2026:

- the gross debt may not exceed 45% of GDP;
- the debt representing accumulated deficits may not exceed 17% of GDP.

The gross debt burden has been declining since 2016. As at March 31, 2017, it will stand at 52.7% of GDP, a 0.7-percentage-point decrease over March 31, 2016.

The debt representing accumulated deficits will stand at 30.1% of GDP as at March 31, 2017, also a decrease over March 31, 2016.

The trajectories were adjusted based on projected debt and economic trends.

CHART A.13

Gross debt as at March 31

(percentage of GDP)

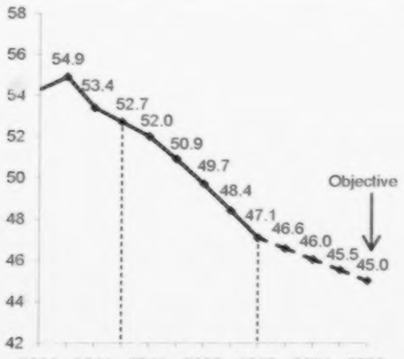
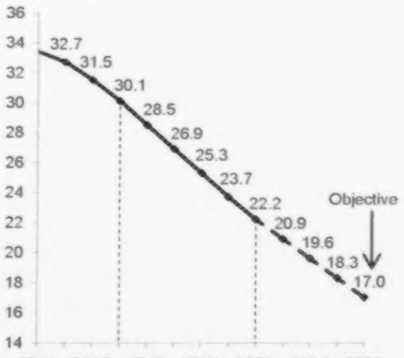


CHART A.14

Debt representing accumulated deficits as at March 31

(percentage of GDP)



Recent-year results show that Québec is on track to meet its debt reduction targets. The budget paper entitled *The Generations Fund – A Renewed Commitment to Fostering Intergenerational Equity* renews the government's commitment to reduce the debt as well as provides a picture of the Generations Fund at the ten-year mark.

❑ Investment income of the Generations Fund: additional powerful leverage for reducing the debt

The government established the Generations Fund to deposit dedicated revenues and it mandated the Caisse de dépôt et placement du Québec to manage and grow the fund. As expected, the strategy is paying off by enabling faster debt reduction.

As the value of the Generations Fund grows, so does the income from investment of the sums credited to the fund, creating an additional lever for debt repayment.

— Investment income is forecast at $626 million in 2017-2018, or 25.2% of the fund's total revenue. Starting in 2018-2019, investment income will be the chief source of dedicated revenues deposited in the fund.

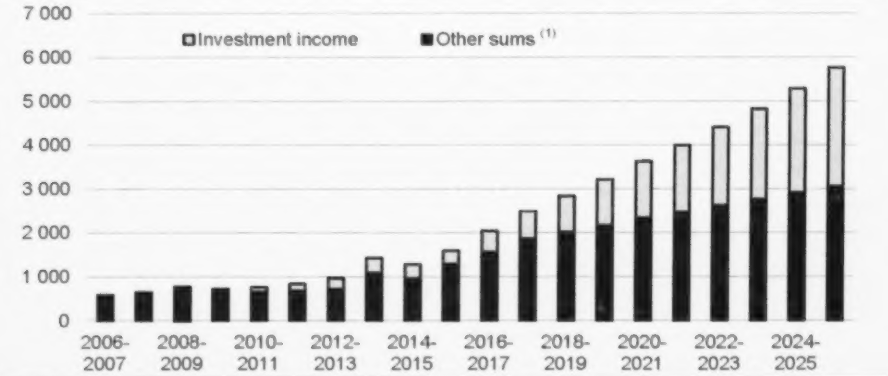
— In 2021-2022, investment income will reach $1 522 million, or 38.2% of the fund's total revenue.

— The fund's investment income will only keep expanding in the years to come. In 2025-2026, it will account for nearly half of the fund's annual revenue.

It is important to bear in mind that this investment income is not a tax grab and, consequently, does not restrain Québec's economic growth.

GRAPHIQUE A.15

Sums dedicated to the Generations Funds
(millions of dollars)



(1) These sums include revenues dedicated to the Generations Fund and certain one-time deposits, such as the $131-million deposit made in 2015-2016 from the accumulated surplus of the Commission des normes du travail.

2. THE QUÉBEC ECONOMIC PLAN

The Québec Economic Plan includes various initiatives to support economic and employment growth. They are already beginning to bear fruit.

- Québec's economic growth accelerated in 2016 and its unemployment rate fell to a historic low.

The Québec Economic Plan provides for additional investments in public services. It also targets levers of prosperity and productivity, including human capital, investment and innovation to boost economic growth in all regions.

- Action is being taken to support families, stimulate private investment and boost job creation.

The March 2017 Québec Economic Plan[4] provides for substantial additional initiatives between now and 2021-2022:

- increase investment in education and health;
- support economic development;
- improve Quebecers' living standards;
- increase sustainable mobility through public transit.

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[4] The section discusses the health and social services-related measures under the Québec Economic Plan. Details of the other measures under the plan are provided in Section B of this document.

2.1 Increasing investment in education and health

With a balanced budget and sound fiscal management, the government has given itself the means to speed up investment in public services.

The improvement in Québec's financial situation enables the government to go a step further in strengthening funding of the government's priorities, especially education and health.

For these two priority missions, the March 2017 Québec Economic Plan makes provision for additional investments totalling nearly $2.8 billion over the next two years. More specifically, the investments consist of:

- $456 million for education and families, including $190 million in 2017-2018;
  - These investments will provide students with better support throughout their school path and encourage success from early childhood.
- $393 million for higher education, including $143 million in 2017-2018 to, in particular, improve the quality of training and raise the higher education graduation rate;
- $1 924 million for health and social services, including $742 million in 2017-2018.
  - These investments will make it possible to, in particular, improve care access and quality in health institutions, as well as further develop home care.

TABLE A.11

Québec Economic Plan – Additional investments in public services
(difference in relation to March 2016, millions of dollars)

	2017-2018	2018-2019	2-year total
Education and families	190	265	**456**
Higher education	143	250	**393**
Health and social services	742	1 182	**1 924**
TOTAL	**1 075**	**1 697**	**2 773**

Note: Totals may not add due to rounding.

2.1.1 Encouraging lifelong educational success starting in early childhood

☐ An additional $3 438 million to better support children and students

In the wake of the consultations held by the Minister of Education, Recreation and Sports in the fall of 2016, the government decided to implement developmental measures that target educational success from early childhood throughout life.

— To act early, intensively and in a concerted manner among children, more specifically those with difficulties, is one of the conditions for success from the standpoint of their overall development.

The Québec Economic Plan therefore makes provision for additional investments of:

— $130 million for educational success starting in early childhood;

— $1.8 billion to enhance support for students throughout their school path;

— $1.1 billion for higher education to enhance the quality of training and increase the higher education graduation rate;

— $363 million to better financially support students.

The additional investments bring to $2.5 billion the expenditures of the Ministère de la Famille and to $17.9 billion those of the Ministère de l'Éducation et de l'Enseignement supérieur in 2017-2018.

TABLE A.12

Additional investments under the Plan for Success: A Lifelong Process from Early Childhood
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
An initial educational success policy							
– Early childhood	27	21	21	21	21	21	**130**
– Preschool, elementary and secondary school	23	170	245	345	445	600	**1 828**
Higher education geared to Québec's future needs							
– Offer more extensive means to higher education	12	100	170	235	300	300	**1 117**
– Enhanced student aid	—	43	80	80	80	80	**363**
TOTAL	**62**	**333**	**515**	**681**	**846**	**1 001**	**3 438**

Note: Totals may not add due to rounding.

☐ An additional $1 130 million in infrastructure to promote a healthy, inspiring, connected environment

The physical environment of students must be safe and stimulating to spur their desire to succeed. Accordingly, the plan for success calls for $1.1 billion in investments in educational infrastructure. The additional funding brings to $2.0 billion the level of infrastructure investments in 2017-2018 and to $2.3 billion in 2018-2019.

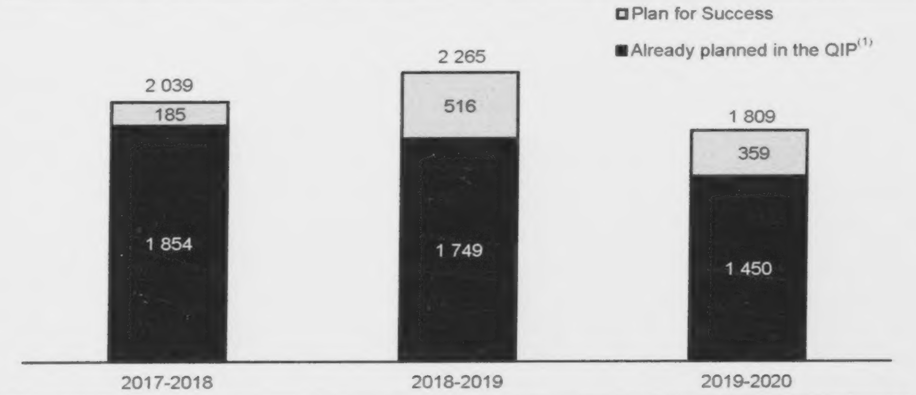
The new initiatives stipulated in the plan are intended to:

- offer young people innovative, healthy, safe schools;
- enhance digital technology infrastructure.

More specifically, the additional investments seek to enhance the overall state of assets in the education and higher education sectors, expand educational facilities to accommodate increased enrolments, and implement the digital strategy.

CHART A.16

Investments in education and higher education infrastructure
(millions of dollars)



Note: Some $70 million in investments are planned beyond 2019-2020, which brings to $1 130 million infrastructure investments under the Plan for Success: A Lifelong Process from Early Childhood.

(1) Québec Infrastructure Plan.

2.1.2 Improving access to quality health services

The government has made health one of its priorities. Over the last few years, efforts have been made to guarantee access to quality health care services.

The March 2017 Québec Economic Plan provides for additional investments in health and social services totalling $772 million in 2017-2018 and $1 182 million in 2018-2019.

- Provision is made for an additional $328 million in 2017-2018 and $738 million in 2018-2019 to raise spending by health institutions to a level that enables them to improve access to quality care.
- The government also plans to make additional investments of $65 million as of 2017-2018 to improve residential standards and the care provided in residential and long-term care centres (CHSLDs).
- $69 million in funding will be provided as of 2017-2018 to increase home support for seniors by addressing the growing needs for long-term care and the increased prevalence of disabilities and diminished autonomy.
- These investments will also make it possible to focus on health prevention thanks to additional funding of $20 million starting in 2017-2018.

TABLE A.13

Additional investments in health and social services
(millions of dollars)

	2017-2018	2018-2019
Additional funding for health institutions	328	738
Reduction in hospital wait times	100	100
Increase in priority health and social services	100	100
Support for the autonomy of seniors	69	69
Residential and long-term care centres (CHSLDs)	65	65
Diagnostic services and surgery	41	41
Support for people with an autism spectrum disorder	29	29
Focus on health prevention	20	20
Specialized nurse practitioners	10	10
Support program for community organizations	10	10
Total – Additional investments	**772**	**1 182**
Amount drawn from the Contingency Fund	–30	—
TOTAL INCREASES	**742**	**1 182**

☐ A focus on health prevention

The government health prevention policy released in October 2016 establishes a framework for acting upstream on key determinants of health.

Starting in 2017-2018, $20 million annually will be allocated to new initiatives under the policy.

- These investments will go toward, in particular, funding projects by municipalities, non-governmental organizations, integrated health and social services centres (CISSS) or integrated university health and social services centres (CIUSSS).
- The goal of the initiative is to improve Quebecers' quality of life and foster healthy environments and lifestyles.

Sound fiscal management also enables the government to invest, in 2016-2017:

- $5 million for a project to distribute fruit and vegetable snacks in schools in disadvantaged areas;
- $5 million to develop a digital suicide prevention strategy to strengthen the provision of preventive services for the general population and the more vulnerable people in society.

In 2016-2017, these initiatives are funded using available budgetary resources. The amounts earmarked for 2017-2018 will be drawn from the Contingency Fund.

TABLE A.14

Investments for health prevention
(millions of dollars)

	2016-2017	2017-2018	2018-2019
New initiatives under the government health prevention policy	—	20	20
Specific health prevention actions			
Snacks in schools	5	—	—
Digital suicide prevention strategy	5	—	—
TOTAL	**10**	**20**	**20**

Increase in funding for the Support Program for Community Organizations

Community organizations work with the most vulnerable people in society in matters of health and well-being.

In 2015-2016, 2 986 community organizations in the health and social services sector received funding under the Support Program for Community Organizations to support their overall mission.

The government recognizes the vital contribution of community organizations to maintaining and improving Quebecers' health and well-being. To help strengthen their actions and visibility, an additional $80 million over five years will be allocated to community organizations, including $10 million in 2017-2018 and 2018-2019.

— The additional funding for 2017-2018 will be drawn from the Contingency Fund.

The Support Program for Community Organizations will receive total funding of $577 million in 2017-2018.

The additional funding will enhance access to the services and activities of community organizations.

— In particular, it will provide funding to a number of organizations that have joined the program but are not funded under it, thereby increasing community activities and direct services to the public.

TABLE A.15

Additional investments for community organizations
(millions of dollars)

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Support Program for Community Organizations	10	10	15	20	25	**80**

Acquisition of high-performance information systems

The government undertook a reform with the aim of rethinking health and social services funding by implementing a patient-based funding model.

- Patient-based funding allocates resources according to the type and volume of services provided, taking into account the complexity of care delivered and the patient's health condition.
- Moreover, patient-based funding is predicated on the ability to determine the exact case cost.

By improving the performance of the health care system, more care can be delivered for a given budget.

The Ministère de la Santé et des Services sociaux initiated major work to establish the terms of application of patient-based funding and define the conditions for implementing this initiative through three channels:

- clinical activities;
- financial resources;
- human resources.

For the purposes of those activities, an amount of $100 million will be drawn from the Provision of the Ministère des Finances to modernize information systems in the health care sector.

- To that end, additional appropriations of $15 million in 2018-2019 and $30 million in 2019-2020 will be allocated to the Ministère des Finances.

2.2 Supporting economic development in all regions

The March 2017 Québec Economic Plan makes provision for new initiatives to support economic growth, in particular by:

- increasing sustainable mobility through public transit;
- taking action to:
  - stimulate research and innovation,
  - promote entrepreneurship and ensure financing for growing businesses,
  - meet labour needs,
  - encourage business investment,
  - foster economic development in all regions,
  - increase the visibility of Québec culture.

TABLE A.16

Measures under the Québec Economic Plan to support Québec's economic development
(millions de dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Increase sustainable mobility through public transit	**—**	**61**	**124**	**518**	**525**	**263**	**1 491**
Foster economic development							
Stimulate research and innovation to build the Québec of tomorrow	199	70	115	145	153	152	**834**
Promote entrepreneurship and ensure financing for growing businesses[1]	28	66	77	82	87	92	**432**
Meet labour needs[1]	—	27	35	37	40	43	**182**
Encourage business investment	—	20	56	59	26	4	**165**
Foster economic development in all regions	38	187	222	230	264	301	**1 241**
Increase the visibility of Québec culture	12	11	17	16	26	31	**113**
Subtotal	**276**	**382**	**522**	**570**	**595**	**622**	**2 966**
TOTAL	**276**	**443**	**646**	**1 088**	**1 120**	**885**	**4 457**

Note: Totals may not add due to rounding.

(1) Excluding the measures under the Plan for Success: A Lifelong Process from Early Childhood.

❑ Increasing sustainable mobility through public transit

The Québec Economic Plan includes initiatives totalling nearly $1.5 billion to encourage sustainable mobility by developing public transit services, including:

- support for major public transit projects;
- increased support for the creation of the Autorité régionale de transport métropolitain;
- additional funding to increase public transit services in all regions of Québec.

❑ Stimulating research and innovation

The Québec Economic Plan includes initiatives totalling more than $830 million to stimulate research and innovation, in particular:

- additional funding of $180 million for the Québec Research Fund to encourage research and innovation in higher education institutions;
- $305 million to encourage innovation and future scientists;
- $100 million for the creation of an artificial intelligence super-cluster;
- additional actions totalling $125 million to foster development of the innovative manufacturing sector;
- measures to stimulate innovation in the forest sector and marine research.

❑ Promoting entrepreneurship and ensuring financing for growing businesses

The Québec Economic Plan includes initiatives totalling more than $440 million[5] to promote entrepreneurship and ensure financing for growing businesses, including:

- $70 million for the new action plan on entrepreneurship;
- actions to support the startup and growth of SMBs;
- $50 million for collective buyouts of companies;
- increased support for social economy hubs;
- a plan to strengthen the Québec economy as an executive-driven economy.

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[5] Of this amount, $10 million will be funded under the Plan for Success: A Lifelong Process from Early Childhood.

Meeting labour needs

To immediately address Québec's labour needs, the Québec Economic Plan provides for initiatives totalling nearly $290 million[6] to:

- promote trades that are in demand;
- assist businesses in workforce management;
- provide greater support for labour market integration of immigrants;
- support ongoing training and skills development for workers.

Encouraging business investment

To increase their presence on international markets, Québec businesses need to invest in modernizing their operations, increasing their productivity and developing new production capacities. To stimulate business investment, the Québec Economic Plan provides for:

- an extension of the tax holiday for large investment projects until December 31, 2020;
- an introduction of additional capital cost allowance of 35% to encourage businesses to make the digital shift.

These actions are in addition to the significant measures already taken by the government to spur business investment, including:

- a rebate on electricity to foster investment in manufacturing and natural resource processing businesses;
- measures of general application to alleviate the tax burden on businesses.

Fostering economic development in all regions

The Québec Economic Plan includes initiatives totalling more than $1.2 billion to foster economic development in all regions and, in particular:

- grant greater autonomy and powers to the regions, the metropolis and the Capitale-Nationale region;
- support growth in key sectors, including the agri-food, alcoholic beverages, tourism and financial sectors;
- protect the environment, wildlife and our renewable resources;
- take additional action under the Plan Nord and the Maritime Strategy.

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[6] Of this amount, $107 million will be funded under the Plan for Success: A Lifelong Process from Early Childhood.

Increasing the visibility of Québec culture

The Québec Economic Plan contains initiatives totalling $113 million to increase the visibility of Québec culture, including:

- support for the written press;
- enhancement of the tax credit for Québec film and television productions;
- actions to foster the creation of a Québec centre of excellence in virtual reality;
- extension and review of the Fonds Capital Culture Québec;
- additional support for the Québec music sector;
- additional support for Télé-Québec to better support original Québec productions;
- support for museums, including the Montreal Museum of Fine Arts and the Musée national des beaux-arts du Québec, and for cultural heritage.

2.3 Improving Quebecers' living standards

The government is continuing its initiatives to, in particular, reduce the tax burden on Quebecers and combat poverty and social exclusion.

To that end, substantial investments are planned to ease the tax burden on Quebecers, encourage eco-friendly renovations and step up action to combat issues specific to the most vulnerable people and communities.

The measures to improve Quebecers' living standards total more than $2.8 billion by 2021-2022.

TABLE A.17

Measures under the March 2017 Québec Economic Plan to improve Quebecers' living standards
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Reduction of the tax burden on individuals	494	506	310	269	274	280	**2 132**
Extension of the RénoVert tax credit to March 31, 2018	—	126	42	—	—	—	**167**
Support for individuals and communities	21	30	62	74	150	178	**515**
TOTAL	**515**	**661**	**414**	**343**	**424**	**458**	**2 814**

Note: Totals may not add due to rounding.

❑ Reduction of the tax burden on individuals

Thanks to its sound management of public finances, the government has fiscal room to reduce the tax burden on individuals.

The Québec Economic Plan is thus announcing additional measures to that end:

- a general tax cut by raising the basic personal amount as of 2017;
- refund of the health contribution paid in 2016 for taxpayers with an income of $134 095 or less.

These measures represent over $2.1 billion in additional tax relief over six years.

In addition, the Québec Economic Plan is announcing an extension of the RénoVert refundable tax credit until March 31, 2018, representing additional tax assistance of $167 million.

❑ Support for individuals and communities

The government is reaffirming its desire to improve the living conditions of the most disadvantaged and strengthen the support provided to communities through a series of measures.

More specifically, the Québec Economic Plan includes measures to:

- combat poverty and social exclusion;
- support Aboriginal communities;
- improve access to justice;
- take action on gender equality;
- fight bullying;
- counter elder abuse;
- improve building accessibility for people with disabilities;
- fight homophobia and transphobia;
- invest in quality educational and sports infrastructure;
- promote student engagement.

All told, these actions represent $515 million in additional support for individuals and communities.

APPENDIX: OTHER MEASURES

❑ Extension of the compensation tax for financial institutions

As of July 1, 1992, financial institutions doing business in Québec are subject to the compensation tax for financial institutions.

To ensure funding for public services, the Québec Economic Plan is extending the compensation tax for financial institutions for five years.

— The current rates applicable to the compensation tax were to decrease after March 31, 2017 and the tax was to end on March 31, 2019.

— The rates applicable to the compensation tax will remain at the current level until March 31, 2022.

■ More than $1.3 billion in additional revenue

This measure will represent over $1.3 billion in additional revenue for the government over the next five years.

TABLE A.18

Financial impact of the extension of the compensation tax for financial institutions
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Five-year extension of the compensation tax for financial institutions	—	89	137	298	387	398	**1 309**

Note: Details of this measure are provided in the budget document *Additional Information on the Budget Measures*.

❑ Maintenance of the age of eligibility for the tax credit with respect to age

The March 2015 Québec Economic Plan announced a reform of the tax assistance for seniors in order to realign the available assistance with the work incentive.

The age of eligibility for the tax credit with respect to age was to be gradually raised to 70 in 2020.

However, seniors questioned the measure and the government decided to maintain the age of eligibility for the tax credit at 65.[7]

People 65 years of age will receive compensation totalling $18 million for 2016-2017.

TABLE A.19

Financial impact of the maintenance of the age of eligibility for the tax credit in respect of age
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
Maintenance of the age of eligibility for the tax credit with respect to age at 65	–18	–38	–57	–77	–100	–102

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[7] See *Information Bulletin 2017-4*, February 22, 2017.

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INTRODUCTION

The Québec Economic Plan, introduced in April 2014, contributes to make Québec one of the leaders of Canadian economic growth.

By ensuring sound and balanced public finances, creating a fiscal environment that favours investment and encouraging markets openness, the Québec Economic Plan applies additional measures to further improve economic growth and the standard of living of all Quebecers. Tangible results have already been observed.

☐ A surge in Québec's economic growth

In 2016, the real GDP growth in Québec reached 1.7%, which was the best economic performance since 2011. Economic growth of Canada, by comparison, was 1.4%.

Québec's economic vitality was reflected in the dynamism of the labour market, which showed strong job creation, particularly in the private sector.

☐ More than 90 000 jobs created in 2016

From January to December 2016, 90 800 jobs were created in Québec, for the strongest job creation in absolute value in Canada. Quebec is now ahead of Ontario and British Columbia.

From January to December 2016, the Québec economy created 83 800 full-time jobs, with Québec leading across all Canadian provinces.

In 2016, the unemployment rate reached a historic low of 7.1%.

☐ High degree of confidence in the Québec economy

It has become obvious that consumers and businesses, especially SMBs, are increasingly optimistic as regards to the Québec economy.

- Since early 2016, the optimism of Québec SMBs, as measured by the Business Barometer and compiled by the Canadian Federation of Independent Business (CFIB), is significantly above the Canadian average.
- The consumer confidence index, measured by the Conference Board of Canada, is at its highest mark since 2007.

☐ A growth in investments in 2017

This increased confidence combined with the improved fiscal environment introduced by the government will lead to an increase in non-residential business investments in 2017.

❑ An economic plan to help improve the standard of living and support public services

The robustness of the Québec economy and the sound management of public finances have given the Government of Québec flexibility to pursue its initiatives in support of economic growth, invest in key State missions and strengthen Québec's social safety net.

The Government of Québec can also continue responding to the challenges facing the Québec economy, including those involving demographic changes.

■ A reduction of more than $1 billion per year in the tax burden on individuals

The Québec Economic Plan provides for an additional reduction of the tax burden on individuals to improve the standard of living of Quebecers. The Government of Québec announces:

- a new general tax reduction for individuals starting in 2017;
- the elimination of the health contribution for the majority of taxpayers as of 2016.

With the measures for gradually eliminating the health contribution that have already been planned, Quebecers will benefit from a recurring decrease in the tax burden of over $1 billion per year.

All the initiatives the Government of Québec has accomplished since the publication of *The Québec Economic Plan – March 2015* total close to $7 billion over six years.

■ New initiatives to benefit all Quebecers

In addition, the Québec Economic Plan provides for:

- more investment in public services, particularly to help older persons and promote the development of young people;
- initiatives to promote sustainable mobility through public transit;
- new support measures for individuals and communities, especially with regard to poverty and social exclusion;
- upholding of high levels of public investments in capital property and the introduction of new measures in support of economic development.

☐ A plan focused on the drivers of sustainable and robust growth

The Québec Economic Plan is centred on the factors driving prosperity and productivity, including human capital, investment and innovation, as a means of improving the economic outlook in all regions of Québec.

The Québec Economic Plan's new initiatives will allow for:

— encouraging the academic success and training of all citizens, as well as their contribution to Québec's economic growth;

— enabling Québec to make significant progress in its quest to adopt a leadership role in innovative and forward-thinking sectors that rely on both domestic and foreign markets while attracting the best talent;

— continuing to invest in key economic sectors and infrastructures;

— favouring a transition to a more sustainable, low-carbon economy.

The Government of Québec also set up the Conseil consultatif sur l'économie et l'innovation (CCEI) in October 2016, presided by Ms. Monique Leroux. Some of the Québec Economic Plan's initiatives dovetail with activities determined by the CCEI to meet the structural challenges of the Québec economy and seize the opportunities of the new economy.

Exchanges with the government will enable the CCEI to finish preparing a series of concrete proposals in 2017.

☐ Additional measures totalling over $10.7 billion

The Québec Economic Plan – March 2017 provides for measures totalling over $10.7 billion over five years. These initiatives will focus on supporting economic growth for the benefit of Quebecers in all regions of Québec. More specifically, the measures are intended to:

- further improve the standard of living of Quebecers;
- encourage young people to succeed in school;
- increase sustainable mobility, through public transit;
- foster economic development:
  - by investing more in higher education,
  - by stimulating research and innovation to build the Québec of tomorrow,
  - by promoting entrepreneurship and funding growing businesses,
  - by encouraging businesses to invest,
  - by providing a better match between training and labour market needs,
  - by promoting the economic development of all regions,
  - by supporting the growing influence of Québec culture.

TABLE B.1

Financial impact of the measures of *The Québec Economic Plan – March 2017*

(millions of dollars)

	2016-2017[1]	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total[2]
Further improve the standard of living of Quebecers							
Reduction in the tax burden on individuals	−493.8	−631.3	−351.7	−268.8	−274.2	−279.6	−2 299.4
Support for individuals and communities	−20.8	−29.5	−62.3	−74.1	−149.6	−178.2	−514.5
Subtotal	**−514.6**	**−660.8**	**−414.0**	**−342.9**	**−423.8**	**−457.8**	**−2 813.9**
Toward a first policy on academic success	**−50.4**	**−190.4**	**−265.3**	**−365.7**	**−465.7**	**−620.7**	**−1 958.2**
Increase sustainable mobility through public transit	—	**−61.0**	**−124.0**	**−518.0**	**−525.0**	**−262.7**	**−1 490.7**
Foster economic development							
Higher learning that meets Québec's future needs	−12,0	−143.0	−250.0	−315.0	−380.0	−380.0	−1 480.0
Stimulating research and innovation to build the Québec of tomorrow	−198.8	−69.8	−114.8	−145.4	−152.9	−151.9	−833.6
Promoting entrepreneurship and funding growing businesses	−28.4	−66.1	−76.6	−82.1	−86.5	−92.0	−431.7
Meeting the needs of the labour force	—	−27.3	−35.4	−36.7	−39.7	−42.7	−181.8
Encourage business investment	—	−20.0	−56.0	−59.0	−26.0	−4.0	−165.0
Promoting the economic development of all regions	−37.6	−186.9	−222.2	−230.0	−263.8	−300.9	−1 241.4
Supporting the growing influence of Québec culture	−11.5	−11.4	−17.0	−16.3	−25.6	−30.8	−112.6
Subtotal	**−288.3**	**−524.5**	**−772.0**	**−884.5**	**−974.5**	**−1 002.3**	**−4 446.1**
TOTAL	**−853.3**	**−1 436.7**	**−1 575.3**	**−2 111.1**	**−2 389.0**	**−2 343.5**	**−10 708.9**

(1) The subsidies awarded in 2016-2017 mean new initiatives can be funded.

(2) The total does not include the financial impact of the support measures for individuals and communities planned for the years after 2021-2022.

❑ Economic support of nearly $30 billion

The Québec Economic Plan – March 2017 will support various private and public initiatives valued at almost $30 billion:

- $14.5 billion by encouraging business investment;
- $9.4 billion particularly by improving the standard of living of Quebecers and boosting sustainable mobility;
- $2.7 billion by supporting the economic development of all Québec regions;
- $2.2 billion by stimulating research and innovation;
- $0.7 billion by promoting entrepreneurship and financing growing businesses.

Once implemented, the Québec Economic Plan's new measures will allow for maintaining over 43 000 jobs in all economic sectors combined.

The Conseil consultatif sur l'économie et l'innovation

The government created the Conseil consultatif sur l'économie et l'innovation (CCEI) in October 2016. Its President is Ms. Monique Leroux, Chair of the Board of Investissement Québec.

- The organization's membership consists of thirty or so Québec entrepreneurs, industry leaders, investors and heads of major institutions.

The CCEI, with its knowledge of the challenges and advantages specific to Québec, was mandated to recommend concrete, structuring and inclusive actions to better address the needs of an aging population, sustainable development imperatives, global competition and the fast-paced digital revolution.

Priorities identified by the CCEI

The CCEI has been making strides since it began, supported by a team of expert advisers and coordinated by a secretariat from Investissement Québec. Exchanges between the organization and the Government of Québec are now focused on drawing up a series of concrete proposals in 2017.

The CCEI has identified three priorities of actions for Québec, which the Government of Québec shares.

Help Québec businesses achieve faster growth while expanding the global scope of their activities

Compared to neighbouring economies, Québec is home to a larger percentage of small businesses. This represents a challenge for the CCEI, as exports and new technology integration are both easier for companies of a certain size.

With this in mind, the CCEI is presently putting together proposals to enable greater support for businesses with export potential; strengthening of the financing chain; a shift of public procurement policies to incorporate strategic procurement measures; talent attraction and retention initiatives.

Accentuate our accomplishments and assert Québec's leadership

For the CCEI, economic success enables social investments and makes it possible to improve the standard of living of all citizens. In a highly competitive economy, Québec must assert its leadership in the most promising sectors to pave the way for new businesses and future investments.

The CCEI proposes developing an artificial intelligence ecosystem to stimulate the development and adoption of its applications; reinforcing initiatives in the areas of transport electrification and clean energy; making skills development and new technologies the pillar of SMB culture.

Be better organized to take advantage of opportunities

The CCEI recommends a simpler support structure for entrepreneurs; more modern governance of major infrastructure projects to speed up decision-making and execution; and acceleration of the development of logistics hubs.

FURTHER IMPROVE THE STANDARD OF LIVING OF QUEBECERS

1. A REDUCTION OF MORE THAN $1 BILLION PER YEAR IN THE TAX BURDEN ON INDIVIDUALS

The Government of Québec undertook to use part of its budget surplus to ease the tax burden on Quebecers once the budget was balanced. Sound management of public finances has allowed us to meet that goal, as the budget has now been balanced.

To increase the disposable income of Quebecers, the March 2017 Québec Economic Plan provides for additional measures to reduce the tax burden on individuals. These are:

- a general tax reduction in income tax of $55 for all taxable taxpayers through an increase in the basic personal amount, for a total gain of over $270 million per year as of 2017-2018;
- a refund of the health contribution paid by the majority of taxpayers in 2016, for a total amount of $473 million.

With the planned measures for gradually eliminating the health contribution, Quebecers will benefit from a recurring decrease in the tax burden of over $1 billion per year.

TABLE B.2

Reduction in the tax burden on individuals in the Québec Economic Plan
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Economic Plan – March 2017							
– General tax reduction as of 2017	—	−294.8	−289.3	−268.8	−274.2	−279.6	−1 406.7
– Refund of the health contribution paid in 2016	−440.5	−32.3	—	—	—	—	−472.8
– Complete elimination of the health contribution starting in 2017(1)	−53.3	−178.7	−20.6	—	—	—	−252.6
Subtotal	**−493.8**	**−505.8**	**−309.9**	**−268.8**	**−274.2**	**−279.6**	**−2 132.1**
Gradual elimination of the health contribution already planned(2)	−211.1	−520.2	−733.1	−759.2	−759.2	−759.2	−3 742.0
TOTAL	**−704.9**	**−1 026.0**	**−1 043.0**	**−1 028.0**	**−1 033.4**	**−1 038.8**	**−5 874.1**

Note: Totals may not add due to rounding.
(1) Measure provided for in the October 2016 update of the Québec Economic Plan.
(2) Measure provided for in *The Québec Economic Plan - March 2016*.

1.1 General tax reduction as of 2017

The Government of Québec intends to continue with its undertaking to reduce the tax burden on taxpayers.

To that purpose, the Québec Economic Plan provides for a general tax reduction by way of an increase in the basic personal amount, starting in the 2017 taxation year.

Increasing the basic personal amount will result in a $55 tax reduction for close to 4.3 million Quebecers.

More than $270 million will be returned to taxpayers each year, which amounts to $1.4 billion over five years.

TABLE B.3

Financial impact of the general tax reduction
(millions of dollars)

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Raising the basic personal amount starting in 2017	−294.8	−289.3	−268.8	−274.2	−279.6	−1 406.7

The basic personal amount will be raised from $11 635 to $14 890 in order to reduce taxes.

— The higher amount will then be converted at the lowest tax bracket rate.

This measure is based on the recommendation of the Commission d'examen sur la fiscalité québécoise (Committee on the Québec tax system, referred to as the "rapport Godbout") to increase the basic personal amount and convert it at the rate of the lowest tax bracket in order to simplify the tax system.

☐ Greater tax protection for the first dollars earned

The purpose of the basic personal amount is to leave untaxed the income needed for essential needs and obligatory contributions.[1]

Increasing the basic personal amount will lead to a tax reduction as high as:

- $55 for a person living alone;
- $110 per couple.

This measure means that individuals will start paying taxes at a higher income level. The first $14 890 of earned income will not incur tax. The increased basic personal amount will be indexed annually starting in 2018.

TABLE B.4

Tax reduction resulting from the increase in the basic personal amount – 2017
(in dollars unless otherwise indicated)

	Current system	New system	Tax reduction
Basic personal amount	11 635	14 890	
Conversion rate	20%	16%	
Tax assistance	**2 327**	**2 382**	**55**

A basic personal amount that matches the tax-exempt income threshold

The basic person amount for 2017 was initially set at $11 635 and converted at a 20% rate, giving a tax credit of $2 327. That tax credit exempts the first dollars of earned income from tax.

The Québec Economic Plan lowers the conversion rate for the basic personal amount from 20% to 16%, starting in the 2017 taxation year, in order to simplify the tax system for individuals.

Using the same rate for the basic personal amount as for the first tax bracket will make it easier for taxpayers to determine the income level at which they start paying income tax.

The basic personal amount will be increased from $11 635 to $14 544 in order to maintain the value of the tax credit while applying the first tax bracket rate. The amount willl be further increased to $14 890 to provide a general tax reduction.

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[1] Essentially, contributions to the Québec Pension Plan, Québec Parental Insurance Plan and Employment Assistance.

A measure that will benefit a large number of taxpayers

Regardless of their income levels, all taxable taxpayers will get a tax reduction of up to $55.

The measure will allow many taxpayers with lower income and in the middle class to benefit from the income tax reduction as of 2017-2018.

Out of the amount of $295 million in 2017-2018:

- 47% of the tax reduction will benefit just over 2 million taxpayers with incomes of $42 705 or less;
- 41% of the tax reduction will benefit over 1.7 million taxpayers with incomes between $42 705 and $85 405.

TABLE B.5

Taxpayers who will benefit from the general tax reduction by tax bracket

Taxable income	Number of taxpayers	Tax reduction[1] (in $)	Total gain in 2017-2018 (in $ million)	Total gain in 2017-2018 (in %)
$42 705 or less	2 056 819	55[2]	−138.4	47
More than $42 705 to $85 405	1 706 832	55	−119.5	41
More than $85 405 to $103 915	216 841	55	−15.4	5
More than $103 915	296 584	55	−21.5	7
TOTAL	**4 277 076**	**55**	**−294.8**	**100**

(1) Some taxpayers may, however, benefit from higher income tax reductions if their spouse transfers the unused part of their income tax reduction.

(2) The maximum income tax reduction for each taxpayer is $55.

Changes for consistency with the Québec tax system

In order to be consistent with the tax system for individuals, the adjustment of the basic personal amount will also be applied to other non-refundable personal tax credits, such as the tax credit for a person living alone.

The conversion rate for such tax credits will decrease from 20% to 16% and the amounts on which those credits are calculated will be increased in order to maintain the value of the tax assistance for taxpayers.

Those changes will allow for:

- harmonizing the conversion rate for those tax credits with the rate applicable to the first taxable income tax bracket of the personal income tax table;
- harmonizing the tax treatment of those tax credits with those of the tax systems for individuals of the other Canadian provinces and the federal government;
- maintaining the progressivity of the tax system for individuals.

Changes in the amounts allowed for calculating personal tax credits – 2017 taxation year
(in dollars unless otherwise indicated)

	Before the changes			After the changes		
	Amount	Rate	Value	Amount	Rate	Value
Basic personal amount	11 635	20%	**2 327**	$14 890[1]	16%	**2 382**
Amount for a person living alone						
– Basic amount	1 365	20%	**273**	1 707	16%	**273**
– Supplement for single-parent family	1 685	20%	**337**	2 107	16%	**337**
Age amount	2 505	20%	**501**	3 132	16%	**501**
Pension income amount	2 225	20%	**445**	2 782	16%	**445**
Amount for a severe and prolonged impairment in mental or physical functions	2 645	20%	**529**	3 307	16%	**529**
Amount for a minor child enrolled in vocational training or postsecondary studies	2 145	20%	**429**	2 682	16%	**429**
Amount for other dependents	3 125	20%	**625**	3 907	16%	**625**
Transfer of a recognized parental contribution						
– Maximum amount	7 665	20%	**1 533**	9 582	16%	**1 533**
– Reduction when only one term has been completed	2 145	20%	**429**	2 682	16%	**429**

(1) Taking the general tax reduction into account.

1.2 Refund of the health contribution paid in 2016

The government's commitment to easing the tax burden on individuals was to eliminate the health contribution for all Quebecers. Last fall, the Government of Québec announced that taxpayers would no longer have to pay the health contribution, starting in the 2017 taxation year.

❑ The elimination has been pushed ahead to 2016 for close to 4.3 million taxpayers

The Québec Economic Plan provides for elimination of the health contribution as of 2016 for all taxpayers with an income of $134 095 or less.

- Just over 2.1 million taxpayers earning between $18 570 and $41 265 will receive a complete refund of the health contributions they paid in 2016, as high as $50, which is a gain of $100 compared to the 2015 health contribution.
- Just over 2.1 million taxpayers with income between $41 265 and $134 095 will receive a complete refund of the health contributions they paid in 2016, as high as $175, which is a gain of $200 compared to the 2015 health contribution.
- Close to 50,000 taxpayers with income between $134 095 and $159 095 will receive the maximum reduction of their health contributions of $175 in 2016, a gain of $200 compared to the 2015 health contribution.

The taxpayers concerned who paid the health contribution through deductions at source throughout 2016 will receive their refund when Revenu Québec processes their tax returns for the 2016 taxation year.

TABLE B.6

Gain attributable to the reduction of the health contribution
(in dollars)

	2015	2016			
		Reduction of the health contribution			
Net income	Health contribution paid	Number of beneficiaries	Already provided for[1]	Refund[2]	Total gain
More than $18 570 to $41 265	100	2 107 023	–50	–50	**–100**
More than $41 265 to $134 095	200	2 154 490	–25	–175	**–200**
More than $134 095 to $159 095	Between 200 and 1 000	47 620	–25	–175	**–200**
More than $159 095	1 000	—	—	—	—
TOTAL		**4 309 133**			

(1) Measure provided for in *The Québec Economic Plan-March 2016*.
(2) Measure provided for in *The Québec Economic Plan-March 2017*.

Accelerated elimination of the health contribution

The Québec Economic Plan - March 2015 provided for the gradual elimination of the health contribution starting in 2017. It was to be completely eliminated by 2019.

The Québec Economic Plan - March 2016 pushed the complete elimination of the health contribution ahead to 2018, one year earlier than scheduled.

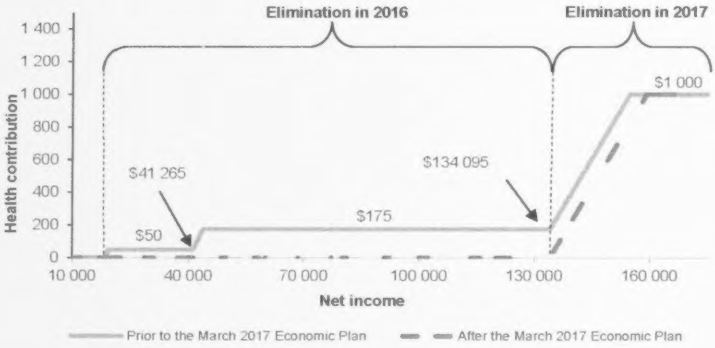
The October 2016 update of the Québec Economic Plan then pushed the elimination ahead to 2017, two years earlier than scheduled.

This year's Economic Plan now provides for its complete elimination in 2016 for 97% of taxpayers: all those with an income of $134 095 or less. Taxpayers in higher brackets will benefit from the complete elimination in 2017.

Gradual elimination of the health contribution in the Québec Economic Plan
(in dollars)

	Initial contribution	March 2015	March 2016	Update of October 2016	March 2017
2015	100 / 200 / 1 000	100 / 200 / 1 000	100 / 200 / 1 000	100 / 200 / 1 000	100 / 200 / 1 000
2016	100 / 200 / 1 000	100 / 200 / 1 000	50 / 175 / 1 000	50 / 175 / 1 000	**Eliminated / 1 000**
2017	100 / 200 / 1 000	0 / 125 / 800	0 / 70 / 800	**Eliminated**	**Eliminated**
2018	100 / 200 / 1 000	0 / 80 / 600	**Eliminated**	**Eliminated**	**Eliminated**
2019	100 / 200 / 1 000	**Eliminated**	**Eliminated**	**Eliminated**	**Eliminated**

Illustration of the refund of the health contribution provided for in *The Québec Economic Plan - March 2017*
(in dollars)



☐ A refund of $473 million

In total, this measure will reduce the health contributions of 4.3 million taxpayers, and some will even be exempted from those contributions in 2016, a year ahead of schedule.

The health contribution refund will increase the disposable income of the taxpayers affected by $473 million.

— This measure will have an impact on the Government of Québec of $441 million in 2016-2017 and $32 million in 2017-2018.

With this second acceleration, the tax burden on taxpayers will be reduced by $4.5 billion over six years after the health contribution has been eliminated.

TABLE B.7

Reduction of the tax burden after the health contribution has been eliminated
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Economic Plan – March 2017							
– Refund of the health contribution paid in 2016	−440.5	−32.3	—	—	—	—	**−472.8**
– Complete elimination of the health contribution starting in 2017[1]	−53.3	−178.7	−20.6	—	—	—	**−252.6**
Subtotal	**−493.8**	**−211.0**	**−20.6**	—	—	—	**−725.4**
Gradual elimination of the health contribution already planned[2]	−211.1	−520.2	−733.1	−759.2	−759.2	−759.2	**−3 742.0**
TOTAL	**−704.9**	**−731.2**	**−753.7**	**−759.2**	**−759.2**	**−759.2**	**−4 467.4**

(1) Measure provided for in the October 2016 update of the Québec Economic Plan.
(2) Measure provided for in *The Québec Economic Plan - March 2016*.

Refund processing by Revenu Québec

The refund of the health contribution will apply retroactively to the 2016 taxation year.

Taxpayers will have to calculate the health contribution amounts they owe in their 2016 tax returns without taking the announcement in *The Québec Economic Plan-March 2017* into account.

The refunds of health contributions will be determined and paid by Revenu Québec when notices of assessment are issued.

- 2016 tax returns that were processed before March 29, 2017, will be adjusted by Revenu Québec, and taxpayers will receive their refunds by direct deposit or cheque no later than June 30, 2017.
- Any 2016 tax returns processed after March 28, 2017, will be adjusted to take into account the health contribution refund for those qualifying for it.

The adjustments made by Revenu Québec will be shown in the notices of assessment.

1.3 Illustration of the reduction in the tax burden

The measures to ease the tax burden planned for in this Economic Plan will provide the following relief for a large number of taxpayers:

- gradual elimination of the health contribution;
- refund of the health contribution paid in 2016;
- a general tax reduction.

☐ For a person living alone

As an example, the tax burden for a person living alone will be reduced in 2017 by:

- $155 for employment income of $35 000;
- $255 for employment income of $45 000.

TABLE B.8

Illustration of the reduction in the tax burden for a person living alone
(in dollars)

	2016	2017	2018
Taxpayer with employment income of $35 000			
Gradual elimination of the health contribution already planned	50	100	100
Refund of the health contribution paid in 2016	50	—	—
General tax reduction	—	55	55
Total	**100**	**155**	**155**
Taxpayer with employment income of $45 000			
Gradual elimination of the health contribution already planned	25	200	200
Refund of the health contribution paid in 2016	175	—	—
General tax reduction	—	55	55
Total	**200**	**255**	**255**

Note: To estimate the reduction in the tax burden, consult the Tax Relief Calculator 2016-2018 available on the Ministère des Finances website http://www.finances.gouv.qc.ca/.

☐ For a couple with two equal incomes

Gains are individual. Therefore, the tax burden will be reduced for each spouse who has a minimum income.

For example, in 2017 a couple where the spouses have equal employment incomes will benefit from a reduction in its tax burden of:

— $310 when the family income level is $70 000 (two incomes of $35 000 each);

— $510 when the family income level is $90 000 (two incomes of $45 000 each).

TABLE B.9

Illustration of the reduction in the tax burden for a couple with two equal employment incomes
(in dollars)

	2016	2017	2018
Couple with two employment incomes of $35 000 each			
Gradual elimination of the health contribution already planned	100	200	200
Refund of the health contribution paid in 2016	100	—	—
General tax reduction	—	110	110
Total	**200**	**310**	**310**
Couple with two employment incomes of $45 000 each			
Gradual elimination of the health contribution already planned	50	400	400
Refund of the health contribution paid in 2016	350	—	—
General tax reduction	—	110	110
Total	**400**	**510**	**510**

Note: To estimate the reduction in the tax burden, consult the Tax Relief Calculator 2016-2018 available on the Ministère des Finances website http://www.finances.gouv.qc.ca/.

1.4 Results since March 2015: a reduction of nearly $7 billion over six years in the tax burden for individuals

The Government of Québec has implemented significant measures to reduce the tax burden of Quebecers since *The Québec Economic Plan – March 2015*.

In addition to measures set out in the March 2017 Québec Economic Plan, the Government of Québec announced measures to increase incentives to work such as:

- introducing and improving the tax shield;
- increasing work premiums;
- increasing the tax credit for experienced workers.

All of the efforts made by the Government of Québec represent a permanent reduction in Quebecers' tax burden of $1.2 billion annually, beginning in 2017-2018, for a total of almost $7 billion over six years.

TABLE B.10

Reduction in the tax burden of Quebecers since *The Québec Economic Plan - March 2015*
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Economic Plan – March 2017							
– General tax reductions as of 2017	—	−294.8	−289.3	−268.8	−274.2	−279.6	−1 406.7
– Refund of the health contribution paid in 2016	−440.5	−32.3	—	—	—	—	−472.8
– Complete elimination of the health contribution starting in 2017(1)	−53.3	−178.7	−20.6	—	—	—	−252.6
Subtotal	**−493.8**	**−505.8**	**−309.9**	**−268.8**	**−274.2**	**−279.6**	**−2 132.1**
Already planned reductions							
– Gradual elimination of the health contribution(2)	−211.1	−520.2	−733.1	−759.2	−759.2	−759.2	−3 742.0
– Introducing and improving the tax shield	−60.6	−60.7	−60.7	−60.9	−60.9	−60.9	−364.7
– Increasing work premiums	−47.7	−47.7	−47.7	−47.7	−47.7	−47.7	−286.1
– Increasing the tax credit for experienced workers	−26.8	−56.4	−96.7	−96.4	−96.3	−96.3	−469.0
Subtotal	**−346.2**	**−685.0**	**−938.2**	**−964.2**	**−964.1**	**−964.1**	**−4 861.8**
TOTAL	**−840.0**	**−1 190.8**	**−1 248.1**	**−1 232.9**	**−1 238.3**	**−1 243.7**	**−6 993.8**

Note: Totals may not add due to rounding.
(1) Measure provided for in the October 2016 update of the Québec Economic Plan.
(2) Measure provided for in *The Québec Economic Plan - March 2016*.

❑ Introducing and improving the tax shield

Introduced as part of *The Québec Economic Plan - March 2015*, the tax shield is intended to protect workers against the loss of certain socio-fiscal transfers resulting from an increase in income from additional work effort.

This refundable tax credit partly offsets the loss of socio-fiscal transfers related to the work premium and the refundable tax credit for child care expenses, following an increase in employment income[2].

To expand the scope of the tax shield to more workers, the annual ceiling of eligibility of $2 500 per worker applicable to the increase in income was raised by $500, to $3 000 per worker ($6 000 for a couple) on January 1, 2016.

This measure represents tax assistance of $365 million over six years.

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[2] Either employment income or net business income.

❑ Increasing work premiums

Work premiums are aimed at valuing work effort and encouraging individuals to leave last-resort financial assistance and enter the job market.

To increase the incentive to work for households without children, *The Québec Economic Plan - March 2016* included an increase in general and adapted work premiums for these households.

In 2016, the rate of increase for households without children increased:

— from 7% to 9% for the general work premium;

— from 9% to 11% for the adapted work premium.

Because of this measure, some 326 000 households without children enjoyed additional tax assistance of $286 million over six years.

❑ Increasing the tax credit for experienced workers

The Government of Québec has increased the tax credit for experienced workers twice since March 2015 in order to attract experienced workers to the labour market.

- *The Québec Economic Plan - March 2015* gradually expanded the eligibility age for the tax credit for older workers from 65 to 63 and lifted the threshold for eligible employment income from $4 000 to $10 000 by 2018, bringing the maximum assistance to $1 504.
  - The maximum assistance has been reduced based on income in order to target the assistance to low- and moderate-income households.
- *The Québec Economic Plan - March 2016* once again extended the age of eligibility by granting the tax credit for older workers at age 62 beginning in 2018. These new beneficiaries can receive maximum assistance of $602 for eligible employment income of $4 000.

These increases represent a tax reduction of $470 million over six years.

TABLE B.11

Maximum amount eligible for the tax credit for experienced workers according to age and tax year
(in dollars)

	2015	2016	2017	2018
62 years	—	—	—	4 000
63 years	—	—	4 000	6 000
64 years	—	4 000	6 000	8 000
65 and older	4 000	6 000	8 000	10 000

1.5 RénoVert extended to March 31, 2018

The Québec Economic Plan - March 2016 introduced the RénoVert refundable tax credit to encourage Québec homeowners to renovate their homes in an environmentally friendly way, thereby helping to reduce greenhouse gas emissions.

- RénoVert was to be in effect for a period of one year. Individuals had to enter into an agreement with a recognized contractor after March 17, 2016, and before April 1, 2017.

The Québec Economic Plan - March 2017 provides for a one-year extension of the RénoVert refundable tax credit, starting April 1, 2017, in order to contribute further to sustainable development.

- Individuals will now have until March 31, 2018, to enter into an agreement with a recognized contractor and must pay all renovation expenses before January 1, 2019.

☐ Tax assistance

The amount of the tax credit corresponds to 20% of an individual's eligible home renovation expenses that exceed $2 500, up to a maximum tax credit of $10 000.

TABLE B.12

Main parameters of the RénoVert refundable tax credit

Minimum level of eligible expenses	$2 500
Tax credit rate	20%
Eligible expenses to qualify for maximum financial assistance	$52 500
Maximum amount of tax assistance	$10 000

❑ Eligible work

Eligible projects under RénoVert include work that is:

— related to the envelope of the dwelling that is intended for insulation, or the installation of doors, windows or a green roof;

— related to the dwelling's mechanical systems and intended for heating, air conditioning, water heating and ventilation;

— aimed at improving water and soil quality.

List of main eligible work projects

Envelope of the dwelling

- Insulation of roof, exterior walls, foundations and exposed floors.
- Waterproof sealing of the foundations and air sealing of the envelope of the dwelling.
- Installation of ENERGY STAR qualified doors and windows.
- Installation of a green or white roof.

Mechanical systems of the dwelling

- Heating system.
- ENERGY STAR qualified air conditioning system.
- Hot water system.
- Ventilation system qualified by ENERGY STAR and certified by the Home Ventilating Institute.

Water and soil quality

- Installation of a rain water recovery tank.
- Restoration of a buffer strip in accordance with the requirements of the Protection Policy for Lakeshores, Riverbanks, Littoral Zones and Floodplains.
- Decontamination of fuel oil-contaminated soil in accordance with the requirements of the Soil Protection and Contaminated Sites Rehabilitation Policy.

Work related to the rehabilitation of residential septic tank systems will not be included in the extension to the RénoVert refundable tax credit. However, it will be covered by the new refundable tax credit for upgrading residential waste water systems.

New refundable tax credit for upgrading residential waste water systems

In order to encourage the replacement of septic systems to meet environmental standards, *The Québec Economic Plan - March 2017* provides for a refundable tax credit to bring residential waste water systems up to standard.

The new tax credit will be available for five years will apply to principal and secondary residences that are not hooked up to municipal sewer systems.

The refundable tax credit for upgrading residential waste water systems represents $65.5 million in assistance to some 32,000 taxpayers over the next five years. See section 10.6.1 for more details.

❑ Home renovation assistance of more than $340 million

The one-year extension of RénoVert will allow the taxpayers concerned to receive additional tax assistance of more than $167 million.

— The money needed to finance this will be taken from the Green Fund for fiscal years 2017-2018 and 2018-2019.

In total, RénoVert will have provided individuals with financial assistance of $341 million.

TABLE B.13

Financial impact of the RénoVert renovation tax credit
(millions of dollars)

	2016-2017	2017-2018	2018-2019	Total
RénoVert – Economic Plan – March 2016	−130.3	−43.4	—	−173.7
RénoVert extension – Economic Plan – March 2017	—	−125.5	−41.8	−167.3
TOTAL	**−130.3**	**−168.9**	**−41.8**	**−341.0**

2. SUPPORT FOR INDIVIDUALS AND COMMUNITIES

The Québec Economic Plan comprises additional major initiatives to provide even greater support for individuals and communities and to help combat specific issues.

☐ Nearly $590 million for initiatives in support of individuals and communities

The Québec Economic Plan includes investments of nearly $590 million in support of individuals and communities.

More specifically, the planned measures will focus on:

- fighting poverty and social exclusion;
- supporting Aboriginal communities;
- ensuring greater access to the justice system;
- acting for equality between women and men;
- fighting bullying;
- fighting elder abuse;
- improving access to facilities for persons with disabilities;
- countering homophobia and transphobia;
- investing in quality educational and sports infrastructures;
- promoting student commitment.

TABLE B.14

Financial impact of the measures to support individuals and communities

(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Immediate investment in the fight against poverty	—	−5.1	−18.1	−14.4	−80.2	−114.9	−307.8[1]
Additional assistance for Aboriginals	—	−8.2	−19.2	−29.5	−37.5	−39.7	−134.1
Improved access to the justice system and compensation of crime victims	—	−6.1	−12.8	−12.5	−11.2	−11.2	−53.8
Acting for equality between women and men	−2.1	−4.0	−6.0	−7.0	−8.0	—	−27.1
Fighting bullying together	—	−1.0	—	—	—	—	−1.0
Supporting seniors	−10.8	−2.0	−2.0	−3.0	−4.0	−4.0	−25.8
Improving building access for persons with disabilities	—	−1.0	−1.5	−1.5	−2.0	−2.0	−8.0
2017-2022 Government action plan to fight homophobia and transphobia	−0.4	−1.1	−0.9	−1.6	−1.0	−0.9	−5.9
Quality educational and sports infrastructures	—	−1.0	−1.8	−4.6	−5.7	−5.5	−18.6
Forces AVENIR – Recognizing and promoting student commitment	−7.5	—	—	—	—	—	−7.5
TOTAL	**−20.8**	**−29.5**	**−62.3**	**−74.1**	**−149.6**	**−178.2**	**−589.6**

(1) This amount includes financial impacts for the years after 2021-2022, namely $74.1 million for the construction of 3 000 social housing units and $1 million in support of new cooperative housing models.

2.1 Major efforts in the fight against poverty

2.1.1 Over $11 billion in support each year

As part of its battle against poverty, the Government of Québec introduced two plans to fight poverty and social exclusion, by virtue of which it then proceeded to establish a wide range of measures.

Several of the measures unveiled under these two plans have an impact on disposable income. They include:

- child assistance;
- work premium and adapted work premium;
- solidarity tax credit;
- automatic indexing of last-resort financial assistance benefits (AFDR);
- AFDR enhancement of the child support payment exemption by $100 per month, per child;
- a drop in the minimum eligibility age, from 55 to 50, for the shelter allowance program (Allocation-logement) for households without children, and construction of social housing units;
- introduction of the adjustment for a single-person welfare recipients who do not receive any housing support.

These measures are recurrent and will continue to benefit Québec households.

They made it possible to enhance the income support system, bringing the total amount of annual assistance provided by the Government of Québec to over $11 billion in 2015. The Québec income support system makes it possible to significantly increase the disposable income of low-income households.

Québec income support system

Each year, the Québec income support system earmarks over $11 billion for Québec households, through a series of measures in three main categories:

- $4.8 billion for basic financial assistance to provide the most destitute households with an adequate standard of living;
- $5.1 billion in family assistance to financially support households with children while encouraging parents to participate in the labour market;
- $1.2 billion in incentives to work, to promote greater labour market integration and participation.

Assistance provided by the Government of Québec under the income support system – 2015
(millions of dollars)

Basic financial assistance measures	
Last-resort financial assistance	2 881
Solidarity tax credit	1 844
Allocation-logement rent allowance program	74
Subtotal	**4 799**
Family assistance measures	
Child assistance[1]	2 214
Subsidized childcare program	2 307
Refundable tax credit for child care expenses	609
Subtotal	**5 130**
Incentives to work	
Work premiums[2,3]	344
Tax shield[3]	61
Tax credit for experienced workers	100
Tax credit for workers	716
Subtotal	**1 221**
TOTAL	**11 150**

(1) Including the supplement for children with disabilities.
(2) Including the adapted work premium for persons with severe limitations to employment and the supplement for long-term beneficiaries no longer receiving last-resort financial assistance or benefiting from the Youth Alternative Program.
(3) For example, the cost for 2015 takes into account the enhancements to the Québec Economic Plan of both March 2015 and March 2016, and this even if they only came into effect in 2016.

Source: Ministère des Finances du Québec, booklet entitled *Régime québécois de soutien du revenu*, June 2016.

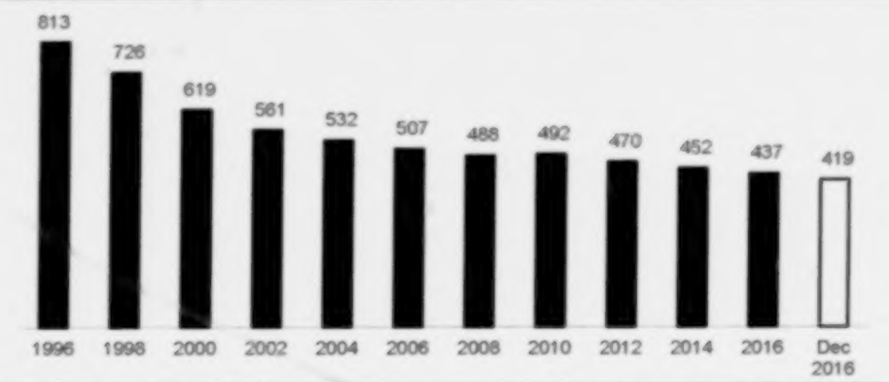
❑ A historic low in requests for social assistance

The ongoing reduction in the number of social assistance recipients since 1996 attests to the efforts made to stimulate the economy, particularly through job creation. These efforts allowed a greater number of recipients to enter the labour market and subsequently escape poverty.

In December 2016, the number of people receiving social assistance benefits reached its lowest point since 1996. A total of 418 888 people were enrolled in social assistance programs, representing a welfare rate of 6.2%, i.e., an all-time low.

GRAPH B.1

Changes in the number of social assistance recipients[1]
(in thousands)



Note: Recipients include all of a household's members, among them children under the age of 18.
(1) In the month of March of the given year.
Source : Ministère du Travail, de l'Emploi et de la Solidarité sociale.

❑ Illustration of available income for households on minimum wage

In Québec, all households working full-time, even at minimum wage, have an available income equal to or higher than low-income thresholds according to the market basket measure (MBM). This result is seen even in couples where only one of the partners is working.

The MBM indicator

In Québec, the MBM is an indicator used to monitor the results of the fight against poverty. According to this indicator, a household is considered to be a low-income household when its available income falls below the cost of the market basket for the region and the size of the household.

As an example, available income exceeds the MBM threshold:

— by $2 920 in the case of a single person;

— by $7 598 in the case of a couple with two children and a single wage.

TABLE B15

Disposable income of households earning a minimum full-time wage(1) – 2017
(in dollars)

	Single person	Single-parent family with one child(2)	Couple without children(3)	Couple with two children(3),(4)
Wage ($11.25/hour)	23 400	23 400	23 400	23 400
Government transfers(5)	+1 400	+13 558	+4 032	+21 395
Income tax, contributions(6) and childcare expenses	−4 031	−4 421	−1 500	−1 500
Available income	**20 769**	**32 537**	**25 932**	**43 295**
MBM threshold(7)	17 849	25 242	25 242	35 697
Gap	2 920	7 295	690	7 598

(1) Assuming an hourly wage of $11.25 for 52 weeks at 40 hours per week.
(2) A child aged 3 using subsidized childcare services.
(3) Single wage.
(4) One child aged 5 and one child age 8.
(5) The transfers are the refundable GST credit, the solidarity tax credit, the working income tax benefit and the work premium. Added to these measures for households with children are the Canada child benefit, child assistance and shelter allowance.
(6) This includes contributions to employment insurance, prescription drug insurance, parental insurance and the Régime de rentes du Québec.
(7) The thresholds given are those for the Montréal area (indexed 2014 data).
Sources: Statistics Canada and Ministère des Finances du Québec.

Generally, Québec is doing better than elsewhere

A study by the Chaire en fiscalité et en finances publiques of Université de Sherbrooke conducted by Luc Godbout and Suzie St-Cerny made an interprovincial comparison of MBM coverage by available income[1] for households working at minimum wage.

The study demonstrates that Québec obtains the best coverage in Canada in five out of the six situations analyzed. The only case where Québec is not in first place is that of childless couples with two wages.

MBM coverage rate for households working at minimum wage(1) – 2016
(as a percentage)

Provinces	Single person	Couple without children: One wage	Couple without children: Two wages	Single-parent family	Couple with children: One wage	Couple with children: Two wages
Newfoundland and Labrador	100	83	136	108	92	124
Prince Edward Island	104	86	143	111	94	128
Nova Scotia	103	85	141	111	94	127
New Brunswick	111	91	151	119	101	136
Québec	**114**	**101**	149	**132**	**118**	**147**
Ontario	101	82	138	109	95	125
Manitoba	105	89	146	113	96	132
Saskatchewan	103	84	142	122	103	130
Alberta	110	87	**152**	117	99	133
British Columbia	100	80	133	105	88	120

(1) At 40 hours per week.

Source: Luc Godbout and Suzie St-Cerny, Chaire de recherche en fiscalité et en finances publiques of Université de Sherbrooke, *Que reste-t-il aux ménages lorsqu'ils travaillent au salaire minimum? Une comparaison interprovinciale*, 2016, p.15.

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[1] The available income used in the study was income from various sources (private income and government transfers) from which income taxes paid and contributions to the Québec prescription drug insurance plan were subtracted. No childcare costs, contributions to a pension plan, union or professional dues, or medical expenses were considered in the simulations performed.

2.1.2 A third plan to fight poverty and social exclusion being developed: lifting over 100 000 people out of poverty

The available household income of families with children has grown over the last few years, specifically because of the actions introduced to date. In light of this, the third action plan to fight poverty and social exclusion will aim to increasingly support single persons and couples without children.

Increasing available income will be the focus of the approach taken in this third plan to fight poverty and social exclusion.

To make a still bigger dent in poverty across Québec, the government plans to support the economy as a means of promoting job creation to the benefit of all Quebecers. Thanks to successive increases in the minimum wage, a full-time job remains the best way of obtaining a lasting improvement in available income.

In tandem with this main focus, other structuring initiatives will also be considered, for the purpose of:

— increasing the available income of social assistance recipients who make an effort to work;

— making facilitating provisions for social assistance program recipients, in order to create an incentive to rejoin the work force;

— supporting these recipients in their search for employment, through measures such as labour training programs or job preparation programs;

— fostering the participation of individuals and families in the community and their contribution to the development of the Québec society.

The government is therefore planning to unveil a third plan to fight poverty and social exclusion. For the first time, this plan will be aimed at lifting over 100 000 persons out of poverty, particularly single persons and couples without children.

Expert committee mandate on the guaranteed minimum income

In June 2016, the Minister of Employment and Social Solidarity and the Minister of Finance put together a committee of experts to consider various new approaches to more efficiently fight poverty, promote social integration and move toward the establishment of a guaranteed income model.

The committee, made up of three university research experts, is chaired by Ms. Dorothée Boccanfuso. The other two committee members are Mr. Jean-Michel Cousineau and Ms. Raquel Fonseca.

Primary mandate of the expert committee on the guaranteed minimum income

The committee's mandate is to:

- document and analyze the components and operations of Québec's current income support system;
- identify, document and analyze the concrete initiatives regarding the income support system (using data from around the globe);
- reach a diagnosis regarding the current income support system's operations;
- identify, document and evaluate options for improving the Québec income support system. The committee of experts, while giving due consideration to Québec's particular context and realities, will need to perform the following activities for each option:
    - analyze the impacts (e.g., citizen behaviour, redistribution of wealth, financial impacts);
    - conduct a feasibility assessment;
    - develop introduction and implementation means and conditions;
    - identify the issues involved;
- make recommendations for improving the Québec income support system so as to move toward the establishment of a guaranteed minimum income model;
- submit recommendations that do not exceed the State's financial means.

The recommendations, which will be made by the expert committee in the coming months, and will include those gathered during the consultation for the third plan to fight poverty and social exclusion, will be evaluated during the drafting of the plan.

2.2 Immediate investment in the fight against poverty

Over the shorter term, the Québec Economic Plan provides for an additional investment of $308 million to improve the living conditions of the most destitute.

This investment can be included in the government initiative to promote solidarity and social integration, as detailed in the *Act to Combat Poverty and Social Exclusion* since 2002.

The amounts invested will make it possible to support interventions with vulnerable youth, the homeless and low-income households.

To achieve this, the Québec Economic Plan notably intends to fund:

— the Québec fund for social initiatives;

— the social involvement of vulnerable youth between the ages of 16 and 29;

— the construction of social housing units and the renovation of homes;

— the fight against homelessness.

2.2.1 Social initiatives to fight poverty

The Québec fund for social initiatives was created to support various actions in the fight against poverty and social exclusion, including projects in the following areas:

— social and community development;

— poverty prevention;

— employment integration services for persons outside the labour market after an absence;

— social integration;

— improvement in the living conditions of people living in poverty in territories with a higher poverty level.

Since 2010, investments in the Québec fund for social initiatives have helped support measures developed by the regions themselves, particularly through agreements entered into with the Minister of Employment and Social Solidarity to introduce initiatives adapted to local realities. A total of 22 agreements, covering the entire Québec territory, were signed under the most recent plan to fight poverty and social exclusion.

To pursue its efforts in the areas of solidarity and social integration throughout the province, the Québec Economic Plan will invest a total of $129.5 million in the Québec fund for social initiatives over the next five years.

TABLE B.16

Investments in the Québec Fund for Social Initiatives
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total 2017-2018 to 2021-2022
Currently planned investments	10.6	21.5	21.5	21.5	21.5	21.5	107.5
Additional investments under the Québec Economic Plan	—	2.0	5.0	5.0	5.0	5.0	22.0
TOTAL	**10.6**	**23.5**	**26.5**	**26.5**	**26.5**	**26.5**	**129.5**

To this end, additional appropriations of $2 million will be granted to the Ministère du Travail, de l'Emploi et de la Solidarité sociale in 2017-2018, and $5 million per year will be granted for the period from 2018-2019 to 2021-2022.

- The amounts for 2017-2018 will be drawn from the Contingency Fund.

2.2.2 Fostering the social involvement of vulnerable youth between the ages of 16 and 29

The social involvement of youth aged 16 to 29 can have a positive impact on their persistence in school and their career motivation. The Créneau carrefour jeunesse program focuses on the social involvement of youth as a means of helping them reach their full potential. It consists of a partnership between the carrefours jeunesse-emploi (community youth organizations) and the Secrétariat à la jeunesse. This partnership seeks to promote the development of youth between the ages of 16 and 29 in various areas, among them:

- persistence in school;
- achieving personal and social independence;
- entrepreneurship and volunteer work.

The Québec Economic Plan foresees investing a total of $4.5 million over a five-year period to enhance the services currently offered by the Créneau carrefour jeunesse program. Implementation of this initiative will be handled by Carrefours Jeunesse-Emploi.

To this end, additional appropriations of $900 000 per year will be granted to the Ministère du Conseil exécutif for the period from 2017-2018 to 2021-2022.

2.2.3 Investments for the construction and renovation of social housing units

The Québec Economic Plan will invest $328 million in the construction and renovation of housing units for vulnerable households in all Québec regions, including Aboriginals, the homeless and seniors.

To achieve this, the government intends to spend:

- $255 million to build 3 000 new social housing units;
- $73 million to continue adapting and renovating private homes under:
  - the Rénovation Québec program;
  - the RénoRégion program;
  - the Residential Adaptation Assistance Program.

To this end, additional appropriations of $10 million in 2018-2019, of $6.3 million in 2019-2020, of $72.1 million in 2020-2021 and of $108.8 million in 2021-2022 will be granted to the Ministère des Affaires municipales et de l'Occupation du territoire.

TABLE B.17

Investments and financial impact in the construction of social housing units and the renovation of homes
(millions of dollars)

		Financial impact						
	Investments	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Other years	Total
Construction of 3 000 social housing units[1]	255.0	—	—	—	−72.1	−108.8	−74.1	−255.0
Rénovation Québec program[2]	25.0	—	−10.0	−6.3	—	—	—	−16.3
RénoRégion program[3]	20.0	—	—	—	—	—	—	—
Residential Adaptation Assistance Program[3]	28.0	—	—	—	—	—	—	—
TOTAL	**328.0**	**—**	**−10.0**	**−6.3**	**−72.1**	**−108.8**	**−74.1**	**−271.3**

(1) The amount of $255 million includes $42 million in budgetary aid for rent subsidies.
(2) The funding is included in the Société d'habitation du Québec's budgetary envelope for 2017-2018.
(3) The funding is included in the Société d'habitation du Québec's budgetary envelopes for 2017-2018 and 2018-2019.

❑ Construction of 3 000 new social, community or affordable housing units

The Québec Economic Plan includes an investment of $255 million to build 3 000 new social, community or affordable housing units, notably under the AccèsLogis Québec program.

These additional housing units will give households in all regions of Québec access to affordable housing.

According to the established practice, 10% of the planned units across the entire Québec territory (300 for this specific program) will be reserved for the homeless or persons at risk of homelessness, as well as for the mentally ill.

A new approach in support of housing

A public consultation, *Vers une nouvelle approche d'intervention en habitation*, led by the MNA for Côte-du-Sud, Mr. Norbert Morin, established the necessary contacts for an in-depth review over the next year of the AccèsLogis Québec program's financial model and parameters. The supply of affordable housing, the needs of vulnerable clienteles and the capacity of communities to respond to these needs vary from one region to another.

The government's objective is to review all housing programs, including the AccèsLogis Québec program, in order to reinvest in affordable and social housing stock while at the same time speeding up the completion of projects. Programs must be adapted to regional realities and made more efficient so that they can better meet the needs of the most disadvantaged.

■ Nearly 14 000 housing units will be delivered in coming years

As of January 31, 2017, 10 877 housing units were in progress, including:

— 5 407 to be delivered soon;

— 5 470 under way.

A total of 13 877 additional social, community or affordable housing units will be available in the coming years. This includes the 3 000 new housing units announced.

TABLE B.18

Construction of social, community and affordable housing units(1)
(numbers)

	In progress	Under way	New announcement	Total
Number of housing units	5 407	5 470	3 000	13 877

(1) At January 31, 2017.
Source : Société d'habitation du Québec.

AccèsLogis Québec

The AccèsLogis Québec program allows housing authorities and cooperatives, along with non-profit organizations (here-in after referred to as promoters) to make social, community or affordable housing available to low- or moderate-income households and other groups with special needs.

The program is designed so that the government, the promoter and the community (usually a municipality) respectively finance 50%, 35% and 15% of the maximum eligible project costs.

The degree of financial assistance varies according to the territory, the targeted group and the size (number of rooms) of the housing unit. For example, the total eligible amount for a two-room unit in a major urban centre would be $134 200, broken down as follows:

- $67 100 for the Québec government;
- $46 970 for the promoter;
- $20 130 for the community.

Given the groups identified as potential occupants of these units, the rent is set at a level below the median market rate.

Access to social, community or affordable housing for nearly 270 000 households

With the addition of 3 000 new housing units announced in the Québec Economic Plan, the total number of social, community and affordable housing units across the territory will total 149 084.

Number of social, community and affordable housing units[1]

Low-rental housing units (HLM)	74 066
Other social, community and affordable housing units in Québec	
– Available	38 709
– Under way and upcoming before the announcement in *The Québec Economic Plan - March 2017*	10 877
– Announced in *The Québec Economic Plan - March 2017*	3 000
Federal housing stock[2] – Subsidized cooperatives and non-profit organizations	22 432
TOTAL	**149 084**

(1) At January 31, 2017.
(2) Refers to housing that is fully funded by the federal government.
Source: Société d'habitation du Québec.

In addition to the households benefiting from these housing units, there are also:

- 17 161 households that benefit or will benefit from a private rent supplement;
- 101 933 households benefiting from the shelter allowance program.

❑ Renovating housing in rundown residential sectors

The Québec Economic Plan provides for a $25 million investment to continue the Rénovation Québec program that financially supports municipalities of all sizes that want to develop housing improvement programs in rundown residential areas.

The selected sectors:

- are located on a limited area of a given municipality's territory;
- include a significant portion of rundown housing units in need of renovation;
- need public intervention to improve its housing.

As a general rule, the owner must take on at least a third of the cost of recognized work. In the case of a cooperative or a non-profit housing organization, the contribution should be at least 25% of the cost of the work.

The Québec government's contribution is generally 50%.

❑ Residential renovations for low-income families

The Québec Economic Plan provides for a $20 million investment to continue the RénoRégion program, which provides financial assistance to low- or modest-income owner-occupants in rural areas for work to correct major defects in their homes.

The amount of the grant is determined by multiplying the approved cost for the eligible work by the percentage of financial assistance the recipient is entitled to. This percentage varies depending on income, household size and region.

The grant may cover up to 95% of the approved cost for the eligible work, up to a maximum of $12 000.

❑ Residential Adaptation Assistance Program

The Québec Economic Plan provides for an investment of $28 million in the Residential Adaptation Assistance Program, which ensures that persons with disabilities can undertake works to adapt their homes, making it easier for them to perform everyday activities.

Financial assistance is provided as a grant of up to $16 000 per eligible person. In certain cases, particularly in the case of a low-income household, additional financial assistance of up to $7 000 may be granted.

Where specialized equipment is required, additional assistance not exceeding $10 000 may also be granted.

❑ Improving the autonomy of the City of Montréal

By virtue of the Réflexe Montréal agreement, the City of Montréal will enjoy greater autonomy within its territory in matters concerning affordable housing, the residential adaptation program for persons with disabilities, and the renovation of rundown housing units in residential areas.

2.2.4 The fight against homelessness

In 2014, Québec adopted the 2015-2020 interdepartmental action plan on homelessness to implement actions aimed at preventing and reducing homelessness.

The 2015-2020 interdepartmental action plan on homelessness

The 2015-2020 interdepartmental action plan on homelessness has two main objectives: to prevent and reduce homelessness in Québec. This action plan is the result of a collaboration between the Ministère de la Santé et des Services sociaux and 15 other departments and agencies.

It includes 31 actions grouped into five priority areas of intervention:

- housing;
- health and social services;
- income;
- education, social and socio-professional integration;
- social cohabitation and issues related to judicialization.

The action plan stresses that the fight against homelessness is a social responsibility, that necessary steps must be taken to reintegrate people living on the streets back into society, and that everything possible must be done to prevent others from becoming homeless.

There are significant challenges related to homelessness. Across Québec, people from different sectors are working together to fight the phenomenon and allow people in such dire straits to find their place in society.

In terms of housing for the homeless or those at risk of becoming homeless, the government has announced that it would allocate the following to these groups:

- 500 social, community or affordable housing units under the AccèsLogis Québec program, announced in the 2014-2015 Budget;
- 10% of each housing unit programs announced between 2015 and 2020.

In addition, 10% of the 5 800 new units allocated to the rent supplement program announced in *The Québec Economic Plan - March 2015* are reserved for the homeless or those at risk of becoming homeless, or for persons suffering from mental disorders.

One of the actions put forth in the 2015-2020 interdepartmental action plan on homelessness is to implement the "housing first" approach that provides:

- financial assistance to help reduce housing costs;
- support for the homeless, provided by health and social services workers;
- support for the owners of housing units where these persons will reside.

For more homeless people to have access to housing with support, the Québec Economic Plan foresees having an additional 150 housing units from the Québec AccèsLogis program benefiting from the rent supplement will be reserved for homeless people, who are among our society's most vulnerable. 75 of the units will be reserved in 2017-2018 and another 75 in 2018-2019.

The government is of the opinion that these issues are particular to the Montréal region, given that it has by far the greatest percentage of homeless persons. A greater portion of the planned housing units will be for Montréal, given the city's significant needs as regards homelessness.

The fight against homelessness in Montréal

To ensure the 2015-2020 interdepartmental action plan on homelessness' implementation, cross-sectoral steering committees have been set up in the major regions of Québec. These committees have also been tasked with identifying the priority actions necessary to reduce and prevent homelessness in their respective regions.

The body mandated to oversee the initiative in Montréal is the Centre intégré universitaire de santé et de services sociaux (CIUSSS) du Centre-Sud-de-l'Île-de-Montréal, through its cross-sectoral steering committee on homelessness, committee comprised of various city stakeholders.

The Mouvement pour mettre fin à l'itinérance à Montréal (MMFIM), a major player in the fight against homelessness, is a member of the Montréal inter-sectoral steering committee. The MMFIM is comprised of representatives from the business community, institutional members, researchers, community organizations and individuals, all of whom want to fight homelessness in Montréal.

It is essential that the level of support provided to persons housed in the new units under the rent supplement program is sufficient to guarantee the success of an approach based on stable housing with support.[3] To this effect, the Québec Economic Plan also provides for an additional $7 million by 2020-2021 for the 2015-2020 interdepartmental action plan on homelessness.

TABLE B.19

Financial impact of additional investments in the fight against homelessness.
(millions of dollars)

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
The fight against homelessness	−1.0	−2.0	−2.0	−2.0	—	−7.0

To this end, additional appropriations of $1 million in 2017-2018 and $2 million per year for the period from 2018-2019 to 2020-2021 will be granted to the Ministère de la Santé et des Services sociaux. The amounts for 2017-2018 will be drawn from the Contingency Fund.

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[3] Also known as "Housing first."

2.2.5 Developing new cooperative housing models

Access to property can be difficult for limited-income households. In fact, not everyone can save up the money needed to purchase a lot or a home.

The Confédération québécoise des coopératives d'habitation finds this situation concerning and is working to develop new cooperative housing models. The organization's objective is to allow low- or modest-income households to enjoy quick access to an innovative type of property at a low cost, which could allow them to ultimately accumulate funds to purchase conventional property.

To support the Confédération des coopératives d'habitation du Québec's development and analysis initiatives, the Québec Economic Plan is providing the organization with $3 million in financial assistance over a period of ten years.

— This financial assistance will consist of an interest-free loan of $5 million over ten years, and a direct subsidy of $1 million.

To this end, additional appropriations of $1.2 million in 2017-2018 and of $200 000 for the next nine years will be granted to the Ministère des Affaires municipales et de l'Occupation du territoire.

The amounts for 2017-2018 will be drawn from the Contingency Fund.

TABLE B.20

Financial impact of the measure to develop new cooperative housing models
(millions of dollars)

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Other years	Total
Direct subsidy	−1.0	—	—	—	—	—	−1.0
Interest-free loan	−0.2	−0.2	−0.2	−0.2	−0.2	−1.0	−2.0
TOTAL	**−1.2**	**−0.2**	**−0.2**	**−0.2**	**−0.2**	**−1.0**	**−3.0**

2.3 Additional assistance for Aboriginals

Aboriginal communities face specific economic development and social challenges. These communities have to contend with a very young population that is growing rapidly. This population dynamic highlights the already considerable needs in terms of jobs, infrastructure and services.

The government intends to continue supporting Aboriginal communities through the following investments:

— $60 million to create the government social development plan for Aboriginals;

— $135 million for implementation of the Aboriginal Initiatives Fund III.

These initiatives will have positive effects on the 105 000 Aboriginals across Québec living both on and off reserves (in the Abitibi-Témiscamingue, Côte-Nord and Nord-du-Québec regions, for example).

❑ Government social development action plan for Aboriginals

A number of government departments and agencies are developing social policies, almost all of which include measures addressing First Nations and Inuit communities.

With a view to optimizing the positive impact of this support, the government favours an integrated approach by creating the government social development action plan for Aboriginals.

This plan will allow for supporting initiatives with the goal of:

— improving services, particularly health, social, education and justice services;

— raising Quebecers' awareness of Aboriginals' realities and promoting living together;

— developing community action and civic engagement;

— encouraging dialogue and research;

— promoting Aboriginal culture and languages.

The government is announcing $60 million in financial support over the next five years, in addition to the $71.4 million already available. This $131.4 million envelope will allow all the departments and bodies concerned to expand support services for Aboriginal communities.

The amounts for 2017-2018 will be drawn from the Contingency Fund.

❑ Implementing the Aboriginal Initiatives Fund III

Established in 2006, the Aboriginal Initiatives Fund supports strategic social and economic development projects. This $260-million fund generated investments of over $517 million across nearly 750 projects set up by Aboriginal communities.

To enable the government to uphold its commitment to the social and economic development of Aboriginal communities, the Québec Economic Plan provides for new investments totalling $135 million over the next five years. This amount will go toward:

— supporting economic development projects;

— investing in community infrastructure;

— supporting costs related to community consultations;

— encouraging social development;

— helping community organizations;

— providing loan guarantees to help Aboriginal promoters finance their projects.

Approximately $50 million from Aboriginal communities will be added to the amount provided by the government, for a total of over $185 million invested in various economic and community projects.

Additional appropriations of $3.2 million in 2017-2018, $9.2 million in 2018-2019, $14.5 million in 2019-2020, $22.5 million in 2020-2021 and $24.7 million in 2021-2022 will be granted to the Ministère du Conseil exécutif.

2.4 Improved access to the justice system and compensation of crime victims

Québec has been providing assistance and compensation for crime victims for over 40 years. These services, reflective of a moral obligation of solidarity with crime victims, also promote greater justice. In 2015, the Commission des normes, de l'équité, de la santé et de la sécurité, which is responsible for the program's administration, processed nearly 10 000 requests for compensation, a number that has risen substantially over the past few years.

As part of *The Québec Economic Plan - March 2017*, the government is significantly enhancing the plan for the compensation of crime victims to ensure that it is more equitable and meets the Québec Ombudsman's recommendations.[4] These changes notably include:

- reducing timelines for the processing of requests;
- improving the quality of support, information and other services;
- offering temporary measures once eligibility is established;
- ensuring that a greater number of requests are accepted (for example, requests submitted past the deadline due to situations such as a delayed realization of the act in question or the murder of a child by one of its parents).

To this end, additional appropriations of nearly $54 million will be granted to the Ministère de la Justice over the next five years, as follows:

- $6.1 million in 2017-2018, drawn from the Contingency Fund;
- $12.8 million in 2018-2019;
- $12.5 million in 2019-2020;
- $11.2 million per year, beginning in 2020-2021.

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[4] Québec Ombudsman, *Compensation for crime victims: for effective and prompt management of vulnerable people*, September 2016.

These amounts will notably enable the Commission des normes, de l'équité, de la santé et de la sécurité du travail to bring new employees on board as of 2017-2018, to further support victims and improve the quality of the services offered.

TABLE B.21

Financial impact of improvements to the plan for the compensation of crime victims
(millions of dollars)

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Additional financing	−6.1	−12.8	−12.5	−11.2	−11.2	−53.8

2.5 Acting for equality between women and men

As part of *The Québec Economic Plan - March 2016*, the government announced the implementation of its 2016-2021 strategy for equality between women and men. The objective of the strategy is to contribute, in particular, to reducing the persistent inequalities that affect women, and to promote equal relations.

Equality between women and men is a fundamental value of Québec society, both economically and socially. This being said, numerous challenges remain.

The strategy, based on the issues brought to light during consultations carried out by the Secrétariat à la condition féminine, proposes actions with objectives consisting of:

- fighting against sexist and sexual stereotypes;
- giving women the means to fully participate in the economy;
- promoting the representation of women and their participation in spheres of power and influence;
- facilitating work-family-study balance.

To ensure financing of the government's 2016-2021 strategy for equality between women and men over several years, the Québec Economic Plan projects additional financing of $27.1 million between now and 2020-2021.

TABLE B.22

Financial impact of the government strategy for equality between women and men 2016-2021
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
March 2017 Economic Plan	−2.1	−4.0	−6.0	−7.0	−8.0	—	−27.1
March 2016 Economic Plan	−3.0	—	—	—	—	—	−3.0
TOTAL	**−5.1**	**−4.0**	**−6.0**	**−7.0**	**−8.0**	**—**	**−30.1**

To this end, additional appropriations of $2.1 million for 2016-2017, $4 million for 2017-2018, $6 million for 2018-2019, $7 million for 2019-2020 and $8 million for 2020-2021 will be granted to the Ministère de l'Économie, de la Science et de l'Innovation.

- For 2016-2017, the amounts involved will be drawn from funds that become available during the course of the year, to allow for faster implementation.
- The amounts for 2017-2018 will be drawn from the Contingency Fund.

Details of the measures of the government's 2016-2021 strategy for equality between women and men will be announced over the coming months by the Minister responsible for the Status of Women.

Government's 2016-2021 strategy to prevent and counter sexual violence

Publicly revealed on October 28, 2016, the government's strategy to prevent and counter sexual violence includes 55 actions that target two problems, namely sexual abuse and sexual exploitation.

The strategy's actions are linked to the issues established during the consultation activities carried out by the Secrétariat à la condition féminine.

Strategy actions

The strategy comprises 55 actions with three interdependent and complementary objectives, namely:

- to prevent sexual abuse;
- to provide psychosocial, medical, legal, police and correctional intervention;
- to foster greater knowledge and the sharing of expertise, as a means of being more effective.

The strategy actions seek to:

- inform and increase public awareness as a means of fighting the trivialization of sexual abuse;
- support community mobilization in support of prevention and testing;
- help victims navigate the legal system;
- strengthen the measures designed to fight crime associated with sexual abuse;
- improve intervention techniques through training and tool development;
- support the development of knowledge and the sharing of information and expertise.

$44 million in investments for the strategy

The Government's 2016-2021 strategy to prevent and counter sexual violence represents investments of $44 million for the implementation of 55 new or enhanced actions.

2.6 Fighting bullying together

Bullying is a problem that affects many people in Québec, regardless of age or social condition. Such behaviour is never acceptable, which is why the government has committed to helping the victims of bullying, including cyberbullying.

On November 18, 2015 the government launched the 2015-2018 joint action plan to prevent and fight bullying, *Together against bullying, a shared responsibility*.

This action plan is the result of a collaboration between 16 departments and organizations. A budget of 4.4 million dollars will be allocated between now and 2018 in support of 53 measures to prevent and fight bullying.

The action plan comes from the desire to build a respectful and safe society where differences are celebrated, a society enriched by its diversity that takes care of those in vulnerable situations.

The government announces an additional $1 million for the financial support program *Together against bullying*, to continue efforts to fight bullying and increase local interventions.

To this end, additional appropriations of $1 million for the 2017-2018 fiscal year will be allocated to the Ministère de la Famille. The amounts will be drawn from the Contingency Fund.

2.7 Supporting seniors

To allow Québec seniors to lead a life of dignity, the government has renewed its commitment to fight elder abuse by reinforcing its financial support for the Governmental Action Plan to Counter Elder Abuse – 2017-2022. The Minister responsible for Seniors and Anti-Bullying will unveil the details of the 2017-2022 action plan in the upcoming months.

The Québec Economic Plan projects investments of $25.8 million as part of the Action Plan to Counter Elder Abuse for the period from 2016-2017 to 2021-2022. These investments will allow for:

- supporting seniors in vulnerable situations;
- supporting the Aide Abus Aînés action line;
- enhancing initiatives for seniors.

An amount of $10.8 million will be invested to support community initiatives for seniors in vulnerable situations (ITMAV). $7.8 million, earmarked for 2016-2017, will be financed from funds that become available during the course of the year to allow for implementing actions at a faster pace.

Additional appropriations will also be granted to the Ministère de la Famille, as follows:

- $2 million for 2017-2018 and for 2018-2019, with the $2 million for 2017-2018 being drawn from the Contingency Fund.
- $3 million for 2019-2020 and $4 million for 2020-2021 and 2021-2022.

TABLE B.23

Financial impact of the governmental action plan to counter elder abuse 2017-2022
(millions of dollars)

	2016-2017	**2017-2018**	**2018-2019**	**2019-2020**	**2020-2021**	**2021-2022**	**Total**
Supporting seniors in vulnerable situations[1]	−10.8	—	—	—	—	—	−10.8
Supporting the Aide Abus Aînés action line	—	−0.3	−0.3	−0.3	−0.3	−0.3	−1.5
Enhancing initiatives for seniors	—	−1.7	−1.7	−2.7	−3.7	−3.7	−13.5
TOTAL	**−10.8**	**−2.0**	**−2.0**	**−3.0**	**−4.0**	**−4.0**	**−25.8**

(1) Other amounts are also planned for in the appropriations allocated to the Ministère de la Famille and for enhancing initiatives targeting seniors, thereby ensuring funding for community initiatives for vulnerable seniors. These amounts represent $5.6 million in 2019-2020, $6.2 million in 2020-2021 and $6.5 million in 2021-2022.

2.7.1 Supporting seniors in vulnerable situations

The ITMAV program fosters the hiring and retention of community workers by community organizations dedicated to supporting seniors in vulnerable and at-risk situations.

These workers assist seniors dealing with difficult situations, in order to support and orient them toward the appropriate resources within their community.

To this end, an additional $7.8 million will be invested in renewing the financial assistance provided to 120 community organizations in 2016-2017. Furthermore, the Ministère de la Famille will invest an additional $3 million, bringing the total investment in the ITMAV program to $10.8 million.

Community initiatives with seniors in vulnerable situations

In May 2012 the Government of Québec launched its policy entitled *Ageing and living together, at home, in one's community*, in which it announced the development of community initiatives aimed at assisting vulnerable seniors.

This initiative supports the hiring of community workers by community organizations dedicated to helping seniors in vulnerable situations. This approach follows the same pattern as the hiring of street workers who deal with troubled youth.

The role of these workers mainly consists of helping seniors who are faced with difficult situations, such as isolation, mourning, abuse, bullying, homelessness, and even eviction. In addition, they are responsible for orienting seniors in need to relevant resources in their community.

2.7.2 Supporting the Aide Abus Aînés action line

The Aide Abus Aînés action line (AAA line) is a telephone resource designed to listen to, support and inform abused seniors while orienting them toward appropriate resources, in strict confidentiality.

- This provincial service was put in place in October 2010, as part of the Governmental Action Plan to Counter Elder Abuse - 2010-2015.

Since its inception, use of the AAA line has been increasing throughout Québec. It handles close to 4,800 calls every year, way above the initial projection of 3,000 calls.

The AAA line represents an important public service which allows for identifying needs in the area of elder abuse. It notably constitutes an access point to the health and social services network as well as community resources.

The additional amounts will mainly be used to enhance the service offer by introducing new support resources. These resources will provide assistance, referrals and support to persons at risk of abuse. They will also allow for making additional training available to the various workers who support the elderly.

For that purpose, the Québec Economic Plan has projected additional investments of $1.5 million over the next five years.

2.7.3 **Enhancing initiatives for seniors**

The situation of seniors is of major concern for the government. As the Québec population ages, more and more people could find themselves in vulnerable situations.

To increasingly support the fight against elder abuse, the Québec Economic Plan projects an additional investment in the initiatives for seniors, including:

- reinforce the role of regional coordinators specialized in the area of abuse, to facilitate, among other things, the implementation of the socio-judicial agreements;
- simplify the setting up of friendly visits to elderly people from the various cultural communities in order to break their social isolation and counter abusive situations.

The Québec Economic Plan provides for additional amounts of $13.5 million over five years, allocated to financing various measures in the 2017-2022 action plan.

2.8 Improving building access for persons with disabilities

Since 1976, the Québec Construction Code has introduced new accessibility standards, applicable to new structures, for persons with disabilities. Afterwards, the accessibility standards required for new buildings progressed significantly.

However, there are still difficulties involved in ensuring that persons with disabilities have access to small businesses, commercial and community centres that are not subject to the Québec Construction Code, or which meet lower standards dating back to previous versions of this Code.

In Québec, disabilities impacting mobility affect 13% of the population and are most common among seniors. Such improvements to building access and interior navigation make it easier for persons with disabilities to move around.

❑ Improving accessibility to small establishments

In this context, the Québec Economic Plan calls for the creation of a program to improve access for persons with limited mobility to small businesses, commercial and community centres that are not currently subject to a legal obligation regarding accessibility for persons with disabilities.

This program, the parameters of which will be further detailed later on, will target the owners and tenants of buildings used as a business, commercial or community establishment. It could subsidize up to 75% of the cost of the eligible works, to a ceiling of $20 000. The maximum help provided could total $15 000.

A complement to existing aid

The program designed to improve access to small businesses, commercial and community centres can be obtained in addition to other forms of government aid.

The aid provided under this program will, however, take into account other forms of aid given for the same work. A ceiling will apply to the total amount of aid provided.

Municipal accessibility aid programs

Certain municipalities offer financial help for work designed to improve accessibility to existing buildings. For example:

- the City of Montréal administers the Programme d'aide à l'accessibilité des commerces, which offers a subsidy equal to 75% of the cost of eligible works, up to $10 000;
- the City of Trois-Rivières administers the Programme d'accessibilité universelle des établissements de commerce et de services, which offers financial aid in the amount of 90% of the cost of the accessibility work, up to a maximum of $7 500 per establishment.

Works eligible for the subsidy

The eligible works must aim to ensure improved access (for example, to a parking lot, entrance or path inside of buildings located in public areas).

These works must comply with the barrier-free design standards of the Québec Construction Code[5]. In addition, the works must be executed by a recognized contractor and evaluated prior to the awarding of financial assistance.

Prioritization of the projects submitted

To be eligible for the program designed to improve access to small businesses, commercial and community centres, works must be recognized and comply with the barrier-free design standards of the Québec Construction Code. Among all projects submitted, however, priority will be given to the work designed to deal with accessibility.

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[5] The barrier-free design standards are an integral part of the Québec Building Code, Chapter I, section 3.8, "Barrier-free Design".

☐ Assistance of $8 million over five years

The program will help finance close to $11 million of eligible works to improve access for disabled persons to approximately 160 establishments per year. This represents close to 800 establishments all over Québec over five years.

The program will be managed by the Société d'habitation du Québec, which will clarify the parameters over the coming months. It will notably include the issuing of certificates attesting to the compliance of the work performed. The criteria in this regard will be determined by the Société d'habitation du Québec in cooperation with the Régie du bâtiment du Québec.

To this end, additional appropriations will be awarded to the Ministère des Affaires municipales et de l'Occupation du territoire, as follows:

- $1 million in 2017-2018;
- $1.5 million in 2018-2019 and in 2019-2020;
- $2 million in 2020-2021 and in 2021-2022.

The amounts for 2017-2018 will be drawn from the Contingency Fund.

TABLE B.24

Financial impact of the program for improving small building access for persons with limited mobility
(millions of dollars)

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Subsidy to financially support eligible works[1]	−1.0	−1.5	−1.5	−2.0	−2.0	−8.0

(1) Management fees are included.

2.9 2017-2022 Government action plan to fight homophobia and transphobia

Québec has taken great strides to ensure the legal and social equality of lesbians, gays, bisexuals and transgenders (LGBT), particularly by:

- prohibiting discrimination on the basis of sexual orientation, gender identity or expression;
- enacting in 2016 an Act to strengthen the fight against transphobia and improve the situation of transgender minors in particular.
  - This Act amends the Charter of human rights and freedoms to provide for an explicit protection against discrimination based on gender identity or expression. It also facilitates changing the name and the designation of sex of a minor child shown on the child's birth certificate through the Registrar of Civil Status.

In 2011, Québec introduced a first plan in this regard, the 2011-2016 government action plan against homophobia. This first plan enjoyed a significant amount of exposure and resulted in the concrete application of measures targeting individuals and community groups. To date, a number of actions have been completed, in particular awareness-raising campaigns, the creation of tools to increase awareness in the workplace, and support for community actions and initiatives.

Despite significant progress in recent years, prejudices and inequalities persist, necessitating concerted government action. The government is therefore putting forward a second five-year plan, from 2017 to 2022, aimed at prolonging the effects of the work that has been accomplished.

To this end, additional appropriations of $5.9 million will be granted to the Ministère de la Justice by 2021-2022, including $0.4 million for 2016-2017 to be funded out of available budget funds over the year. The amounts for 2017-2018 will be drawn from the Contingency Fund.

2.10 Quality educational and sports infrastructures

The Sports and Physical Activity Development Fund operates with revenue from the tax on tobacco products introduced for this specific purpose. The funds in question are allocated to the construction, renovation and development of sports and recreational facilities, their modification so as to meet current standards, and the organization of Canada-wide or international sporting events.

The government has announced the creation of an additional envelope, in the amount of $50 million, to finance still more projects and sports and recreational facilities, particularly at a municipal level.

These new facilities will allow for meeting the current and future needs of Québec's youth and in so doing, contribute to the development of a sports culture among all citizens.

To finance this new measure, the annual injection taken from the income generated by the tax on tobacco products will be increased by $2 million from 2017-2018 to 2025-2026.

For this to happen, the *Act to establish the Sports and Physical Activity Development Fund* must be amended so as to increase the injection from the tax on tobacco products that is paid into the Fund.

2.11 Forces AVENIR: Recognizing and promoting student commitment

Forces AVENIR is a non-profit organization whose mission is to recognize, honour, and promote student commitment through projects that enable youth to develop their strengths, sense of responsibility and ties to the community.

- By participating in community projects, youth learn how to become leaders, acquire new skills, and expand their social network.
- In the long term, the organization's activities will foster the development of a culture resting on a collective commitment. Young people are encouraged to become more socially involved through volunteering or citizen participation.

Forces AVENIR has a high school program and a university program. The programs acknowledge the commitment and perseverance of youth by providing grants and special awards.

At present, 16 universities, 18 school boards and close to a hundred schools participate in Forces AVENIR programs.

To ensure the long-term survival of the organization's mission, the Forces AVENIR Foundation has been created. Its objective is to provide the annual income required to maintain and develop programs that recognize and promote commitment.

The government plans to support this organization in its mission and deployment of its program, that will benefit high school and university students. The Québec Economic Plan has therefore earmarked an amount of $7.5 million for the Forces AVENIR Foundation in 2016-2017.

- The government's financial assistance, in the form of matching funds, will also be matched with private sector contributions until 2022.

This initiative will be financed from funds that become available during the course of the year.

TOWARD A FIRST POLICY ON ACADEMIC SUCCESS

3. ENCOURAGE ACADEMIC SUCCESS AMONG OUR YOUNG PEOPLE

The government conducted a broad consultation in the fall of 2016 involving individuals and organizations to develop an initial policy on academic success for pre-school, elementary and secondary students.

The consultation process was based on three main aspects of academic success:

- — all students reaching their full potential;
- — an environment that fosters development, learning and success;
- — stakeholders and partners mobilized around success.

The consultations resulted in consensus on a number of issues and an agreement to quickly introduce structuring measures to support academic success beginning in early childhood and throughout the educational trajectory.

The Québec Economic Plan presents the key policy directions and the preferred means to give Québec its first policy on academic success, namely:

- — additional appropriations of close to $130 million to improve the quality of services and better support young children, including children with disabilities;
- — over $1.8 billion more to support pre-school, elementary and secondary students and their parents.

Eventually, there will be more than 7 200 people across Québec working as educational support staff, teachers or professionals for young people and adults and lending support to the employees in the school system.

TABLE B.25

Investments for the first policy on academic success
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Early childhood	−27.4	−20.5	−20.5	−20.5	−20.5	−20.5	−129.9
Pre-school, elementary and secondary(1)	−23.0	−169.9	−244.8	−345.2	−445.2	−600.2	−1 828.3
TOTAL	**−50.4**	**−190.4**	**−265.3**	**−365.7**	**−465.7**	**−620.7**	**−1 958.2**

(1) Includes occupational training and general adult education.

3.1 Provide better support to families

3.1.1 Close to $130 million to support academic success from early childhood

In recent years, the government has expanded its range of services for Québec families, particularly to promote the overall development of children and support parents.

Since 1997, new parents wishing to participate in the workforce have benefited from a subsidized childcare program that is intended for all parents with children under the age of 5. In addition, the government has set up childcare services to meet the needs of children with disabilities.

The Québec educational daycare system is a model for the rest of Canada in terms of work-life balance. It allows children to benefit from quality childcare so that their parents can be active in the job market. Governmental policies in support of families have contributed to an increase in women in the workforce, which has led to a better standard of living for them.

The network of childcare centres (CPEs), which comprises close to 33 000 educators makes quality childcare services available to thousands of parents. CPEs aim to stimulate child development in all areas, from birth until the child goes to school, because intervention is important from an early age.

In order to enhance support for Québec families, the Québec Economic Plan provides for an additional investment of close to $130 million over six years for family services.

$20 million will be allocated to the Ministère de la Famille for 2016-2017 to provide community-based financial assistance, including $10 million, which will be drawn from available budget funds over the year.

Funding of $7.4 million will also be granted to the Ministère de la Famille for 2016-2017. These sums will be drawn directly from availabilities during the year.

Furthermore, additional appropriations of $20 million per year for the period from 2017-2018 to 2021-2022 will be granted to the Ministère de la Famille.

- For the 2017-2018 year, the amounts planned will be drawn from the Contingency Fund.

TABLE B.26

Financial impact of measures to support academic success from early childhood

(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Support the quality of educational interventions	−7.4	−12.0	−12.0	−12.0	−12.0	−12.0	−67.4
Enhance interventions to integrate disabled children into educational daycares	—	−5.0	−5.0	−5.0	−5.0	−5.0	−25.0
Improve interventions for children in underprivileged neighbourhoods	—	−3.0	−3.0	−3.0	−3.0	−3.0	−15.0
Community-based financial assistance	−20.0	—	—	—	—	—	−20.0
TOTAL	**−27.4**	**−20.0**	**−20.0**	**−20.0**	**−20.0**	**−20.0**	**−127.4**

☐ Support the quality of educational interventions

In order to enhance the quality of services offered at CPEs and subsidized childcare centres, the Québec Economic Plan provides for a total investment of $67.4 million over six years.

The amount of $7.4 million allocated for 2016-2017 will enable CPEs and childcare centres to implement actions to facilitate the transition to school for four-year-olds.

In addition, sums of $12.0 million per year for the periods 2017-2018 to 2021-2022 will enhance the support provided to subsidized daycares to implement activities aimed at strengthening the quality of educational interventions. More than 2 200 CPEs and subsidized childcare centres will benefit from this increase.

The funding is also intended to introduce a new measure to assess quality in order to improve the educational approach used with the children. Approximately 600 childcare service centres would be assessed annually.

☐ $25 million to enhance interventions to integrate disabled children into childcare services

The Government of Québec offers the parents of disabled children subsidized childcare services tailored to their children's needs.

To allow more than 300 additional students with disabilities to benefit from adapted daycare services, the Québec Economic Plan provides for an increase of $25 million over the next five years, to foster their integration and optimal development.

This additional funding will allow educational daycares to hire extra staff to support disabled children. In addition, the money will cover the expenses incurred by childcare service centres to purchase equipment adapted to the children's needs.

☐ $15 million to improve interventions for children in underprivileged neighbourhoods

In Québec, the childcare services in underprivileged neighbourhoods face significant challenges to meet the specific needs of their target group. To this end, the government has introduced an additional allowance for childcare services for children in underprivileged neighbourhoods.

The Québec Economic Plan provides for an additional allowance of $15 million over the next five years for an establishment that accepts children from an underprivileged neighbourhood.

☐ Community-based financial assistance

The Ministère de la Famille provides funding to family community organizations, community organizations that offer drop-in daycare services and family community organization associations. These community organizations offer a variety of activities for children and parents aimed at encouraging and supporting parental involvement.

In order to provide financing to community organizations in these three areas, the government will make investments totalling $20 million, of which $10 million will come from the 2016-2017 budget funds.

The first portion is for family community organizations and will be used to increase their services, so more parents and their children can benefit from the activities offered. This measure will reach more than 260 family community organizations. The first portion represents $17.7 million in financial assistance.

The second portion is for family community organizations that offer drop-in daycare services, in order to encourage the parents' participation in the activities offered. The goal of this initiative is to break parents out of isolation and support parental involvement. Some 245 community organizations that offer drop-in daycare services will benefit from the measure, in the amount of $2 million.

The third portion provides additional support to family community organization associations that will benefit from $300 000 in non-recurring financial assistance. This sum is to strengthen the associations' ability to support the mobilization and innovation efforts of family community organizations, such as:

- roll out new services to support parents;
- design new intervention tools;
- organize training for community organizations.

3.1.2 Supervision services for disabled students 12 to 21 years old

Disabled people 12 to 21 years old who go to school but who are not sufficiently independent to remain at home on their own may take advantage of supervision services outside of school hours. These supervision services are especially offered during the school year and address the work-family balance needs of the parents.

In order to give parents access to these adapted supervision services throughout the year, the Québec Economic Plan provides for an increase of $2.5 million of the Financial Aid Program for supervision services for disabled students 12 to 21 years of age, over the next five years.

This additional funding will be allocated to 30 not-for-profit organizations or educational institutions, so that they can offer supervision services during the summer-break. It is estimated that nearly 575 students will benefit from supervision services during this period.

To this end, the Ministère de la Famille will be granted additional funding of $500 000 per year for the period from 2017-2018 to 2021-2022.

TABLE B.27

Financial impact of supervision services for disabled students 12 to 21 years old
(millions of dollars)

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Supervision services for disabled students 12 to 21 years old	−0.5	−0.5	−0.5	−0.5	−0.5	**−2.5**

3.2 An additional $1 828 million to schools to accompany and support students in achieving success

An additional investment of $1.8 billion will be devoted to continuing efforts to improve support for students throughout their educational trajectory. This investment is intended to:

- support parents in order to prevent learning difficulties;
- allow youngsters to get a head start in pre-school and Grade 1;
- provide help to elementary schools for more effective implementation of individual education plans for students with difficulties;
- enhance support for students in high school, vocational training and adult education programs;
- support initiatives designed to boost literacy and francization, as well as those that respond to labour market needs and promote entrepreneurship.

As of September 2017, there will be close to 1 500 additional people providing direct services to students as they follow their academic paths.

TABLE B.28

Investment in schools to accompany and support students in achieving success

(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Accompany and support students in achieving success							
Parental assistance	—	2	2	2	4	4	15
Head start in pre-school and Grade 1	—	94	121	161	229	310	915
Support for students in Grade 2 to Grade 6	—	4	33	75	105	179	395
Keep students in high school, occupational training and general adult education	—	20	34	50	50	51	205
Subtotal	—	**119**	**190**	**288**	**388**	**543**	**1 529**
Promote success in an inspiring and connected environment	6	7	9	9	9	9	49
Boost literacy and francization	12	30	30	30	30	30	163
Meet labour market needs and promote entrepreneurship	—	6	8	10	10	10	44
Other measures	5	8	8	8	8	8	44
TOTAL	**23**	**170**	**245**	**345**	**445**	**600**	**1 828**

Note: Totals may not add due to rounding.
Refer to the booklet entitled *Education and higher education-A plan for success: a lifelong process from early childhood* for a detailed presentation of the measures.

FOR A LONG-TERM VISION OF PUBLIC TRANSIT

4. INCREASE SUSTAINABLE MOBILITY THROUGH PUBLIC TRANSIT

The Québec Economic Plan is counting on major initiatives to encourage sustainable mobility, in particular, public transit.

The funding measures announced will allow for more efficient public transportation and will help to meet the objectives of the Transportation Electrification Action Plan and the Energy Policy.

For example, the Québec Economic Plan includes:

- support for three major public transportation projects, i.e.:
  - the Réseau électrique métropolitain (REM);
  - the extension of Montréal's blue subway line;
  - the rapid service bus (SRB) between Québec City and Lévis;
- new funding from the creation of the Autorité régionale de transport métropolitain (ARTM);
- additional funding in order to increase public transit across every region of Québec.

In all, nearly $1.5 billion will be earmarked over the next five years to encourage sustainable mobility through public transit.

Also, in order to meet this same objective, the government will unveil a sustainable mobility policy next year that covers all means of transportation, i.e., public transit and active transportation, as well as air, rail and sea transportation, to complement the road system. This policy will take into account the particular characteristics of all of Québec's regions.

The government anticipates that these investments will generate an additional 5% in ridership by 2021-2022, and another 5% increase once the major projects are rolled out.

TABLE B.29

Financial impact of the measures aimed at increasing sustainable mobility through public transit

(millions of dollars)

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Communauté métropolitaine de Montréal						
Réseau électrique métropolitain						
Contribution to operations	—	—	—	—	−75.7	−75.7
Compensation associated with rise in property values	—	—	−256.0	−256.0	—	−512.0
Public utilities and decontamination	—	—	−86.0	−85.0	—	−171.0
Subtotal	**—**	**—**	**−342.0**	**−341.0**	**−75.7**	**−758.7**
Extension of the subway blue line(1)	—	—	—	—	—	—
New funding for the ARTM	−39.0	−74.0	−99.0	−92.0	−95.0	−399.0
Capitale-Nationale						
Rapid bus service(1)	—	—	—	—	—	—
All of Québec						
Increase assistance to improve services	−17.0	−45.0	−72.0	−87.0	−87.0	−308.0
Increase support for accessible transportation	−3.0	−3.0	−3.0	−3.0	−3.0	−15.0
Increase support for regional public transit	−2.0	−2.0	−2.0	−2.0	−2.0	−10.0
TOTAL	**−61.0**	**−124.0**	**−518.0**	**−525.0**	**−262.7**	**−1 490.7**

(1) The investments relating to these projects are provided for in the 2017-2027 Québec Infrastructure Plan.

4.1 Communauté métropolitaine de Montréal

Like for any major city, the economic vitality of the Communauté métropolitaine de Montréal (CMM) depends directly on an efficient public transit system. This dynamism is accompanied by increased congestion on main roads and some saturation on public transportation. The Québec Economic Plan provides for investment to help the CMM develop its public transit system.

4.1.1 Réseau électrique métropolitain

The purpose of the Réseau électrique métropolitain (REM), the most important public transportation project in Québec in the last 50 years, is to provide Greater Montréal with a modern, efficient, and sustainable transportation system. Indeed, the REM, which will consist of 27 stations that will link Montréal's downtown to Rive-Sud, Ouest-de-l'Île, Rive-Nord and Pierre Elliott Trudeau International Airport, will help users move more easily by offering connections across the entire existing public transportation system.

The proposed model to finance the REM is a public-public partnership that enables the government to benefit from the Caisse de dépôt et placement du Québec's expertise in infrastructure investments and its ability to provide significant financing to implement a public transit system that is considered essential for the Greater Montréal area.

Réseau électrique métropolitain

In April 2016, the Caisse de dépôt et placement du Québec announced the construction of the REM, which will use a tried and true technology: a completely automated light-rail transit system (LRT). The system will cover a 67-kilometre area and include 27 stations. The REM will, therefore, link downtown Montréal, the Rive-Sud, Ouest-de-l'Île (Sainte-Anne-de-Bellevue), Rive-Nord (Deux Montagnes) and the airport. The Caisse estimates that the project will cost $6.04 billion to build.

The REM is a strategic investment that offers the Caisse a commercial return while also contributing to Québec's economic development, because the modern system will meet user expectations and it will help:

- improve public transportation and reinforce the area's economic vitality;
- use an effective technology that has been proven to be eco-friendly;
- offer improved service.

Once finished, the REM will be an exceptional example of how to assert Québec's expertise internationally, not only with respect to public transportation, but also the management of large-scale infrastructure projects.

The Government of Québec is committed to contributing to the funding of the REM and will conclude an agreement to this end with CDPQ Infra, the Caisse subsidiary responsible for implementing the project.

4.1.2 Extension of the blue subway line

The extension of Montréal's blue line to Anjou has been the topic of discussion for nearly thirty years.

According to the Bureau de projet pour les prolongements des lignes du métro de Montréal, whose mandate is to carry out the necessary studies on planned extensions, the extension of the blue line has the potential to lead to greater urban economic development.

- Indeed, this extension anticipates an increase in ridership and intermodal use that exceeds that of all the other sections studied.
  - Over the long term, ridership will increase to more than 80 000 users per day and breathe economic and social vitality into the entire area being served.

Project to extend Montréal's blue line

Currently, the blue line ends east of boulevard Saint-Michel in the Villeray–Saint-Michel–Parc-Extension district.

According to the plans that were being considered until now, the extension of this line would help to:

- substantially improve accessibility to the system in the north-eastern area of Montréal;
- promote the connection to the rapid bus service along the boulevard Pie-IX once it is in service;
- serve the existing hubs of economic activity in the districts of Anjou and Saint-Léonard.

To support this project, the government is announcing for the first time that the money required to ensure funding on the part of Québec will be set aside in the 2017-2027 Québec Infrastructure Plan (PQI). Québec intends to apply for federal infrastructure funding for this project.

4.1.3 Creation of the Autorité régionale de transport métropolitain

Over the last few years, the governance model for public transportation in the Montréal area has shown its limitations. Therefore, the government has gone ahead and reorganized public transit in the Greater Montréal Area by applying best practices with respect to governance.

- These practices are based on placing greater value on the Communauté métropolitaine de Montréal (CMM) and on cooperation between elected municipal officials. Thus, two new entities that report to the CMM will be created in June 2017, namely the Autorité régionale de transport métropolitain (ARTM) and the Réseau de transport métropolitain (RTM).
  - The ARTM will be responsible for planning all the services offered and the corresponding fares.
  - The transportation companies that operate in the target area[6] and the RTM will jointly operate the public transportation system based on the parameters set out in the contracts concluded with the ARTM.

☐ New funding for the Autorité régionale de transport métropolitain

The ARTM will have many responsibilities and will have access to a set of funding sources to fulfill them.

Reorganizing the way in which public transit is governed involves additional expenses for the ARTM, in particular, the application of preferential rates, a lower QST refund, increased operating and fixed asset costs, and the structural deficit inherited from the AMT.

The analyses conducted indicate that, without additional funding, implementing the ARTM could lead to significant hardship for municipal taxpayers and users.

This is why the Québec Economic Plan provides for assistance worth $399 million for the ARTM for the first five years, including $39 million to be paid in 2017-2018.

Moreover, the government will provide additional assistance to the ARTM during start-up of the REM, which is equivalent to 85% of the net financial impact[7] of the new service, estimated to be $75.7 million for 2021-2022.

The assistance provided for the start-up of the REM was based on a sharing of revenues due to increased land value as a result of the REM start-up between the municipalities in question and CDPQ Infra. The government will allow the municipalities in question the total revenue linked to this increased land value by increasing the ARTM's funding sources, on the understanding that they return said revenues to CDPQ Infra in a payment of $512 million.

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[6] The Société de transport de Montréal, Réseau de transport de Longueuil and Société de transport de Laval.

[7] Excluding existing fare revenues and municipal contributions.

TABLE B.30

Financial impact of the measures aimed at supporting the Autorité régionale de transport métropolitain (ARTM)
(millions of dollars)

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
New funding for the ARTM	**–39.0**	**–74.0**	**–99.0**	**–92.0**	**–95.0**	–399.0
Réseau électrique métropolitain						
Contribution to operations	—	—	—	—	–75.7	–75.7
Compensation associated with rise in property values	—	—	–256.0	–256.0	—	–512.0
Subtotal	**—**	**—**	**–256.0**	**–256.0**	**–75.7**	**–587.7**
TOTAL	**–39.0**	**–74.0**	**–355.0**	**–348.0**	**–170.7**	**–986.7**

4.2 Québec-Lévis Rapid Bus Service (SRB)

The economy of the Capitale-Nationale region is thriving, as evident in the low unemployment rate and significant population growth. This situation has led to an increase in ridership on the public transit system and sheds light on the limits of the current system.

In light of these limits, the city of Québec and the city of Lévis hope to establish an integrated rapid bus system.

According to the SRB-streetcar feasibility study presented in March 2015, this joint public transportation system would have a structural impact on the area served.

— Indeed, in addition to improving traffic flow on major municipal arteries, the SRB would be a tool for densification and urban requalification in some of the region's strategic areas.

Québec-Lévis Rapid Bus Service

The Québec-Lévis Rapid Bus Service (SRB), as proposed by the feasibility study unveiled in 2015, will follow a 43-kilometre route comprised of two lines:

- one 36.1 km east-west line connecting Québec City and Lévis and crossing the Saint Lawrence River using the Québec Bridge;
- one 6.9 km north-south line serving downtown Québec City and the amphitheatre area.

The route would include approximately 60 stations, of whom 10 transportation hubs shared with other, existing public transit systems.

The SRB would operate in dedicated lanes, with priority at intersections.

Source: SRB-Streetcar Feasibility Study, 2015.

To support this project, the Québec Economic Plan provides, for the first time, that the money required to ensure funding by Québec will be set aside in the 2017-2027 Québec Infrastructure Plan (PQI). Québec intends to apply for federal infrastructure funding for this project.

Moreover, the government will allocate $56 million in additional funding over the next few years to draw up the plans and receive quotations, as well as prepare the business case.

— Québec City would like to start work on the project in 2019 to allow for the first phase to begin operating in 2022 and for the entire route to be completed by 2025.

4.3 Increased assistance for all of Québec

To be efficient and meet everyone's needs, public transit must be accessible to the areas it serves. This is why the government will increase its support to improve the availability of urban and rural public transit and offer accessible transit.

TABLE B.31

Financial impact of the measures aimed at supporting public transit
(millions of dollars)

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Increase assistance to improve services	−17.0	−45.0	−72.0	−87.0	−87.0	−308.0
Increased support for accessible transportation	−3.0	−3.0	−3.0	−3.0	−3.0	−15.0
Increased support for regional public transit	−2.0	−2.0	−2.0	−2.0	−2.0	−10.0
TOTAL	**−22.0**	**−50.0**	**−77.0**	**−92.0**	**−92.0**	**−333.0**

4.3.1 Increase assistance to improve services

Public transit agencies are entitled to receive assistance to cover 50% of the direct operating costs needed to increase the services they offer to the public. However, this assistance is capped at $130.5 million per year.

— Improved public transit services directly benefit users by increasing the frequency of the buses and by informing users in real time.

The Québec Economic Plan provides for $308 million in additional assistance to public transit agencies over the next five years to help them with their development plans.

These funds will be made available through the Land Transportation Network Fund (FORT).

4.3.2 Increase support for accessible transportation

Accessible transit is a service dedicated to disabled and to mobility-impaired persons; the numbers for both have increased over the last few years.

Through their respective public transit agencies, municipalities are implementing door-to-door transportation services and making their regular public transit vehicles accessible to mobility-impaired persons by scheduling low-floor buses, for example. In addition, many taxis, coaches, and inter-city bus terminals are now accessible to disabled persons.

The government is increasing its support for accessible public transportation services throughout Québec to assist efforts to offer accessible transportation.

In this respect, additional appropriations of $3 million annually, for a total of $15 million, will be granted to the Ministère des Transports, de la Mobilité durable et de l'Électrification des transports. The amounts for 2017-2018 will be drawn from the Contingency Fund.

4.3.3 Increase support for regional public transit

The demand for public transit in rural areas is growing steadily. For example, between 2010 and 2015, there were one million additional trips, which represents an 80% increase.

Regional public transit services consist in ensuring that the different public transportation systems, that is public transit, accessible, inter-city and school transportation systems interconnect to facilitate better coordination between the stakeholders.

— In this way, users can benefit from a single integrated and optimized public transportation system.

The Québec Economic Plan provides for increased funding to the tune of $2 million per year for the next five years with a view to helping expand public transit services outside urban areas.

These amounts will be drawn from the Land Transportation Network Fund (FORT).

FOSTER ECONOMIC DEVELOPMENT

5. HIGHER LEARNING THAT MEETS QUÉBEC'S FUTURE NEEDS

The institutions that form Québec's higher education system are being called on more than ever before to play a leading role in the economic social development of all of Québec's regions.

— Economic prosperity largely depends on an educated population.

— The contributions of colleges and universities to research and development are essential.

Higher education institutions must have the ability to play the role expected of them. To do this, they must be in a position to rise to the following challenges:

— contribute to raising the general skill level of Québecers, especially by increasing the graduation rate and by offering high quality training;

— improve accessibility and the success of all students by offering adequate support, including to those with special needs;

— contend with the reality of each region and each institution, which may vary with respect to changing student enrollment or skills.

The Québec Economic Plan offers direction and the means to help higher education institutions contribute fully to the development of society and meet the future needs of Québec.

In total, $1.5 billion in investment is provided for higher education and student aid.

TABLE B.32

Investment in higher learning that meets Québec's future needs
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Offer more means to higher education	12	100	170	235	300	300	1 117
Increased financial aid for students(1)	—	43	80	80	80	80	363
TOTAL	**12**	**143**	**250**	**315**	**380**	**380**	**1 480**

Note: Refer to the booklet entitled *Education and higher education - A plan for success: a lifelong process from early childhood* for a detailed presentation of the measures.

(1) This assistance also includes amounts for students in vocational training

6. STIMULATING RESEARCH AND INNOVATION TO BUILD THE QUÉBEC OF TOMORROW

Québec must rely on the knowledge-based economy, innovation and creativity to remain competitive. Accelerating productivity begins with instilling a general climate that encourages businesses to:

- invest in research and development;
- innovate in products, services and processes;
- invest in the leading-edge machinery and equipment, including information and communication technologies;
- promote the education and training of human capital.

The Minister of Economy, Science and Innovation will shortly announce a new Québec research and innovation strategy to underscore the importance of research and innovation for Québec's economy.

This strategy is based on consultations with stakeholders in several Québec regions and will address their specific concerns.

❑ An additional $830 million to stimulate research and innovation

The Québec Economic Plan provides for additional initiatives totalling over $830 million by 2021-2022 to stimulate research and innovation in several advanced activity sectors:

- $180 million over five years to fund Québec Research Funds to encourage research and innovation in higher education establishments;
- $305 million to encourage innovation and a new generation of scientists;
- $100 million for the creation of an artificial intelligence super-cluster;
- an additional investment of close to $118 million for implementing the life sciences strategy;
- promotion of research by encouraging access to data;
- an additional $125 million to promote the development of the innovative manufacturing sector;
- close to $46 million to stimulate innovation in the forestry sector;
- $22 million to promote maritime research;
- support for mining research;
- promotion of public policy research.

TABLE B.33

Financial impact of measures to stimulate research and innovation

(millions of dollars)

	2016-2017[1]	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Encourage research and innovation in higher education establishments	—	−20.0	−40.0	−40.0	−40.0	−40.0	−180.0
Encourage innovation and a new generation of scientists	−115.0	−20.0	−30.0	−40.0	−50.0	−50.0	−305.0
$100 million to create an artificial intelligence super-cluster	−50.0	—	—	−15.0	−15.0	−20.0	−100.0
Implement life sciences strategy	−2.0	−15.5	−25.0	−25.0	−25.0	−25.0	−117.5
Promote research by encouraging access to data	—	—	—	—	—	—	—
Promote the development of the innovative manufacturing sector	—	−3.5	−10.0	−15.0	−12.5	−7.5	−48.5
Stimulate innovation in the forest industry	−19.0	−3.5	−6.0	−6.0	−6.0	−5.0	−45.5
Promote maritime research	−6.8	−3.0	−3.0	−3.0	−3.0	−3.0	−21.8
Support mining research	−6.0	—	—	—	—	—	−6.0
Promote public policy research	—	−4.3	−0.8	−1.4	−1.4	−1.4	−9.3
TOTAL	**−198.8**	**−69.8**	**−114.8**	**−145.4**	**−152.9**	**−151.9**	**−833.6**

(1) The subsidies granted in 2016-2017 support the funding of new initiatives.

6.1 An additional $180 million to encourage research and innovation in higher education establishments

The Québec Research Funds play an important part in the province's research ecosystem; among other things, they provide financial support for students and researchers. With their mission, they also promote synergy and partnerships among the different fields of research.

These funds support a dynamic university network comprised of establishment that offer quality education and carry out research projects that meet the highest international standards. By supporting universities, the government is showing its support for basic and applied research, especially in leading-edge sectors.

As a way of reaffirming the strategic importance of Québec Research Funds, the Québec Economic Plan will increase their funding by $180 million over the next five years.

— This new investment represents an increase of more than 20% over current funding for Québec Research Funds.

— This means that over $1 billion will be available to fund the Québec Research Funds over the next five years.

This increase will support research by young people, as the funds will be able to award more scholarships to students and young researchers. Universities will also be able to provide more funding for researchers and researcher groups. By developing new knowledge and putting forth innovative solutions, Québec will meet society's greatest challenges.

In addition, with this increased funding the Research Funds will be able to support more projects with marketing potential, targeting projects that are most likely to have industrial applications. Projects involving private partners will also be encouraged.

TABLE B.34

Increased funding for the Québec Research Funds
(millions of dollars)

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Current funding	174.5	174.5	174.5	174.5	174.5	872.5
Increase in funding	20.0	40.0	40.0	40.0	40.0	180.0
TOTAL	**194.5**	**214.5**	**214.5**	**214.5**	**214.5**	**1 052.5**

Canadian university rankings

Québec ranks well compared to other Canadian universities.

According to the 2016-2017 QS World University Rankings, six of the 25 highest-ranked universities in Canada are located in Québec:

- McGill University, which ranks first;
- Université de Montréal, which ranks fifth;
- Université Laval, which ranks 15th;
- Concordia University, which ranks 17th;
- Université du Québec, which ranks 19th;
- Université de Sherbrooke, which ranks 23rd.

The QS World University Rankings is a global ranking of the world's top universities. The methodology used is based on criteria such as the institution's reputation, the number of students per professor, and the frequency of research citations.

List of top-ranked universities in Canada – 2016-2017

1. McGill University (Qué.)
2. University of Toronto (Ont.)
3. University of British Columbia (B.C.)
4. University of Alberta (Alta.)
5. Université de Montréal (Qué.)
6. McMaster University (Ont.)
7. University of Waterloo (Ont.)
8. University of Calgary (Alta.)
9. Western University (Ont.)
10. Queen's University (Ont.)
11. Simon Fraser University (B.C.)
12. Dalhousie University (N.S.)
13. University of Ottawa (Ont.)
14. University of Victoria (B.C.)
15. Université Laval (Qué.)
16. York University (Ont.)
17. Concordia University (Qué.)
18. University of Saskatchewan (Sask.)
19. Université du Québec (Qué.)(1)
20. Guelph University (Ont.)(1)
21. University of Manitoba (Man.)(1)
22. Carleton University (Ont.)
23. Université de Sherbrooke (Qué.)
24. Memorial University of Newfoundland (N.L.)(2)
25. University of Windsor (Ont.)(2)

(1) Universities ranked 19 to 21 are equal in ranking.
(2) Universities ranked 24 and 25 are equal in ranking.
Source: 2016-2017 top-ranking Canadian universities from QS World University Rankings.

☐ Support the development of our best talent

Québec must rely more on the knowledge-based economy, innovation and creativity to remain competitive. Human capital is one of factors that determine productivity and prosperity in Québec. Québec needs to invest more in its young talent to ensure a well-trained and innovative new generation.

The additional investment in the Québec Research Funds will support the development of top talent, position Québec as a research hub and enhance the skills of the next generation. The Québec Research Funds will be able to:

- offer more funding, including merit scholarships for students and funding for young researchers;
- increase the number of research initiation internships for undergraduate and college-level students;
- increase the number of activities for youth and aimed at awakening interest for science and technology in young people.

☐ Increase the competitiveness of research groups

Research groups assemble critical masses of researchers with complementary expertise around priority themes. They are also excellent training centres for new research talent, including young researchers.

To boost the competitiveness of groups and help them obtain more financing in federal contests, the Québec Economic Plan earmarks additional amounts for them through the Québec Research Funds.

These sums will help increase the innovation ecosystem by fostering:

- collaborations and international partnerships;
- Québec's scientific discovery and competitiveness in Canada and abroad;
- cooperation at different levels, such as between university and college researchers;
- knowledge transfer and the creation of partnerships with the public and private spheres, developing potential users for research results.

❑ Respond to Québec's major social, environmental and economic challenges

Research and innovation have a crucial part to play in responding to the great challenges that face Québec and all of the world's nations and countries.

Increased funding to the Québec Research Funds will support research into the greatest challenges facing society, including sustainable development, climate change, and demographic changes.

These funds will help support initiatives related to these major challenges and aimed at:

- setting up inter-sectoral research programs;
- increasing the number of partnership agreements aimed at including Québec researchers in national and international networks;
- offering scholarships for entrepreneurship and creativity projects.

Social and human science research to address the greatest challenges facing society

Research in the areas of social and human sciences contributes to the thought process and leads to actions to address the greatest challenges facing Québec society, such as sustainable development, climate change, and demographic changes.

Investments in this area will help support research into the social aspects of these challenges, namely regarding educational success, immigration and inclusion, development of the entrepreneurial spirit, and the impact of climate change on society.

For example, research in social and human science will address the challenges of motivating young people in a context of high school dropout rates and the problems related to social acceptability and the social impacts of new technologies, including artificial intelligence.

❑ Funding for the Québec Research Funds

Additional appropriations of $180 million will be disbursed over the next five years to the Ministère de l'Économie, de la Science et de l'Innovation: $20 million in 2017-2018 and $40 million for each of the next four years. The amounts for 2017-2018 will be drawn from the Contingency Fund.

The Québec Research Funds

The three funds have been grouped together under the name "Fonds de recherche du Québec" since 2011 to encourage and boost synergy and partnerships among different research sectors.

Each of the three funds has retained its specific mission:

- The Québec Research Fund – Nature and Technology (FRQNT) supports the natural sciences, mathematics and engineering.
- The Québec Research Fund – Health (FRQS) supports the health field, including basic, clinical and epidemiological research and research on public health and health services.
- The Québec Research Fund – Society and Culture (FRQSC) supports the social and human sciences as well as education, management, and arts and letters.

6.2 $305 million to encourage innovation and a new generation of scientists

Québec needs investments in research and innovation to remain competitive. Among other things, these investments encourage productivity and create quality jobs.

The Québec Economic Plan provides an additional $305 million by 2021-2022 to support Québec's research and innovation ecosystem:

- $115 million to support research organizations;
- $190 million to implement new initiatives that encourage innovation and a new generation of scientists.

These investments will be part of Québec's next research and innovation strategy, which the Minister of Economy, Science and Innovation will release at a later date.

TABLE B.35

Additional support to encourage innovation and a new generation of scientists by 2021-2022
(millions of dollars)

	2016-2017[1]	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Support for research organizations	115.0	—	—	—	—	—	115.0
New initiatives to encourage innovation and a new generation of scientists	—	20.0	30.0	40.0	50.0	50.0	190.0
TOTAL	**115.0**	**20.0**	**30.0**	**40.0**	**50.0**	**50.0**	**305.0**

(1) The subsidies granted in 2016-2017 support the funding of new initiatives.

❑ $115 million to support research organizations

The Québec Economic Plan provides investments of $115 million to support research organizations collaborating notably with Québec CEGEPs and university research centres, including:

- $40 million to Génome Québec;
- $25 million to the National Optics Institute;
- $25 million to industrial research sectoral groups;
- $25 million to the Computer Research Institute of Montréal.

■ $40 million to Génome Québec for personalized health care research

Advances in genomics research are now allowing us to create new medical initiatives that can potentially tailor treatment to an individual's genetic profile. Génome Québec is helping speed up the discovery of new applications in this field and in other strategic sectors such as forestry, the environment and agri-food.

The Québec Economic Plan allocates $40 million to Génome Québec for genomic research, particularly in the area of personalized health care.

Genome Canada has recently launched a health care and precision medicine competition as part of its Large-Scale Applied Research Projects program. The money allotted to Génome Québec will help maximize its chances of obtaining funding under Genome Canada programs.

■ $25 million to intensify the work of the National Optics Institute

The National Optics Institute (INO), located in Québec City, is a recognized national and international leader in optic and photonic solutions geared to industrial development.

The Québec Economic Plan provides $25 million to support the research and operations of the INO.

This additional assistance will allow it to continue developing its expertise in three sectors that are likely to boost the emergence of promising technology, namely advanced robotics, the Internet of Things and 3D printing.

■ $25 million for projects by industrial research sectoral groups

Québec is home to nine industrial research sectoral groups, including the Partenariat de recherche orientée en microélectronique, photonique et télécommunications (PROMPT-Québec) and the Consortium québécois sur la découverte du médicament (CQDM). Their role consists in expanding collaborations and research partnerships, as well as encouraging and strengthening the technological innovation capacity of businesses.

The Québec Economic Plan provides for $25 million to be distributed among the nine groups for the development of new collaborative industrial research projects.

These projects will support the development of proofs-of-concept and prototyping, as well as field studies in the activity sectors included in the groups, namely aerospace, information and communication technologies, and drug discovery.

■ An additional $25 million for the Computer Research Institute of Montréal

The Computer Research Institute of Montréal is an information technologies applied research centre. Its service offer is aligned with several government priorities, including digital technologies, research and innovation, and economic growth.

Given the expertise of the Computer Research Institute of Montréal, its added value for the innovation ecosystem and its socioeconomic impacts, the Québec Economic Plan provides for $25 million to support its activities.

This envelope will allow the Institute to ensure its funding and to initiate new projects in connection with three research axes, namely:

- human-system interaction and interface;
- advanced data analytics, including big data;
- software science and technology.

❑ $190 million to encourage innovation and a new generation of scientists

The Québec Economic Plan is providing $190 million to encourage innovation and a new generation of scientists:

- $60 million to develop skills, to support emerging innovators and to enhance the culture of science and innovation;
- $70 million to increase Québec's ability to carry out world-class research and support innovation in all its forms;
- $60 million to accelerate the transfer and marketing of Québec innovations.

To this end, additional appropriations of $190 million will be disbursed over a five-year period to the Ministère de l'Économie, de la Science et de l'Innovation: $20 million in 2017-2018, $30 million in 2018-2019, $40 million in 2019-2020, and $50 million in 2020-2021 and 2021-2022.

- **$60 million to develop skills, support emerging innovators, and enhance the culture of science and innovation**

Québec must acquire the skills and means needed to create a scientific culture that fosters creative thinking and knowledge mobilization from a very young age.

For this purpose, $60 million will be invested in initiatives aimed at developing skills, supporting emerging innovators and enhancing the culture of science and innovation.

These funds will support:

- a flagship project aimed at making tomorrow's schools more innovative by exposing students to innovative fields, such as robotics, genomics and programming;
- industry internships financed by private businesses, the federal government and the Québec government through programs offered by Mitacs, a national, not-for-profit organization that designs and delivers research and training programs in Canada;
- additional initiatives through the NovaScience program to foster a greater understanding of sciences and technology among youth and the general public as well as the development of the next generation in these fields;
- measures to improve the effectiveness of research and innovation initiatives, for instance by improving access to research data.

- **$70 million to increase Québec's ability to carry out world-class research and support innovation**

In a knowledge-based society like Québec, public and industrial research is a highly strategic investment, as it contributes to the development of innovations.

In this context, $70 million will be invested in initiatives aimed at increasing Québec's research capacity and supporting innovation. This amount will support:

- additional international research and innovation projects between actors in the higher education, research and industry sectors;
- additional research and innovation projects, including those carried out with College Centre for the Transfer of Technology (CCTT) under the Passeport Innovation measure;
- organizations involved in research and innovation.

$60 million to accelerate the transfer and marketing of innovations

To ensure society benefits from the impacts of research investments and the body of knowledge generated, it is important to create an environment that fosters their transfer and development.

To this end, $60 million is provided to accelerate the transfer and marketing of innovations. Among other things, this amount will support:

- intermediary organizations, such as QuébecInnove, university technology transfer organizations and social innovation liaison and transfer organizations;
- development and transfer projects, including projects in the technological maturity stage;
- technological arts;
- innovative entrepreneurship, namely among youth.

6.3 $100 million to create an artificial intelligence super-cluster

There is currently a boom in activities involving the development of artificial intelligence technologies. Major technology companies invest considerable funds to develop applications used in various activity sectors, including health, energy, transportation, business and finance.

To support growth in this sector, the Québec Economic Plan provides an investment of $100 million for the creation of an artificial intelligence super-cluster.

TABLE B.36

Financial impact of the creation of an artificial intelligence super-cluster
(millions of dollars)

	2016-2017[1]	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Creation of an artificial intelligence super-cluster	−50.0	—	—	−15.0	−15.0	−20.0	−100.0

(1) The subsidies granted in 2016-2017 support the funding of new initiatives.

☐ Make Montréal an internationally recognized hub for artificial intelligence

Thanks to the presence of numerous highly qualified researchers and specialized research centres, Montréal is recognized internationally for its artificial intelligence expertise.

— Leading companies such as Google and Microsoft opted to open labs in Montréal as a result of this expertise.

— In addition, this expertise was recognized by the Canada First Research Excellence Fund, which recently announced an investment of nearly $94 million in the Institute for data valorisation (IVADO), a Montréal AI research centre.

The creation of a super-cluster will make Montréal a leading economic and scientific hub for research, training, technology transfer, and the creation of value-added products and solutions, employment and businesses specialized in the use and analysis of big data to facilitate decision-making.

Montréal: a leader in artificial intelligence

By its economic and educational vitality, the Montréal region can attract the best researchers in the world in several areas, including artificial intelligence.

The field of artificial intelligence alone includes several hundreds of researchers. In addition to making advances in data science, several of these researchers collaborate with many private sector partners.

This position is due to:

- advantageous taxation in Québec for information and communication technologies (ICT);
- significant availability of venture capital, with $835 million invested in Montréal in 2016;
- university funding that enables the Montréal region to rank first in Canada in this area, thanks to 11 universities and hundreds of researchers.

Leading software companies such as Google and Microsoft have decided to open labs in Montréal. Because of this synergy, several start-ups opt for the Montréal region, intending to use this technology in concrete applications.

- The Greater Montréal area boasts some 91 000 ICT specialists in approximately 5 000 firms.

The creation of an artificial intelligence super-cluster in Montréal will consolidate the investments and expertise in place, in addition to making Québec an artificial intelligence economic and scientific centre.

Five target areas

The following five areas will be prioritized as part of the work performed by the super-cluster:

- attracting and retaining talent in a context where demand for capabilities in deep learning is strong;
- maintaining a critical mass of high-calibre researchers in artificial intelligence in Québec to incite young researchers to establish their career here and to attract the interest of industry leaders;
- creating a business environment that fosters the development and marketing of scientific advances in products and solutions;
- helping businesses get started and gain access to risk capital in the field of artificial intelligence in Québec, as well as getting artificial intelligence graduate students interested in business start-ups in this field;
- increasing the acceptability and social impact of artificial intelligence to ensure that the issues it raises, namely with regard to confidentiality, are discussed with both experts and citizens.

A collaborative approach

The Université de Montréal will initially be responsible for hosting a steering committee that will guide the development of the super-cluster, in partnership with the key industry actors, including other higher education establishments active in artificial intelligence.

In particular, the committee will be tasked with maximizing the leverage of the government investment, namely through canvassing of private firms that are likely to invest in the super-cluster or artificial intelligence projects.

In this regard, several business stakeholders have already indicated their interest in getting involved financially to help Québec stand out in this leading-edge sector.

Drawing on the expertise developed by IVADO, the super-cluster, which will be implemented in Montréal, will help:

- provide the resources needed for artificial intelligence and the innovation associated with its use;
- form partnerships, including between higher education establishments and the private sector, thus ensuring the financing of its actions and allow it to carry out its work;
- address the challenges associated with the data science, including in terms of confidentiality and ethics.

A number of stakeholders involved in research and innovation will benefit from additional investments, namely universities active in artificial intelligence, industrial research sectoral groups and CCTT.

In addition to the investment of $50 million in 2016-2017, additional appropriations totalling $15 million in 2019-2020 and 2020-2021 and $20 million in 2021-2022 will be allocated to the Ministère de l'Économie, de la Science et de l'Innovation to create the artificial intelligence super-cluster.

The Institute for data valorisation

The Institute for data valorisation (IVADO) was created out of an academic and industrial initiative as part of Campus Montréal, which brings together HEC Montréal, Polytechnique Montréal and the Université de Montréal.

IVADO brings together industry professionals and academic researchers to develop cutting-edge expertise in data science, optimization (operational research) and artificial intelligence.

IVADO is comprised of nearly 900 data scientists, including 150 researchers who are recognized as world class.

Grant from the Canada First Research Excellence Fund

As part of the Canada First Research Excellence Fund, the federal government announced that it would award a $93.6-million grant to IVADO to implement its "Data Serving Canadians: Deep Learning and Optimization for the Knowledge Revolution" strategy.

This strategy should pave the way to major scientific breakthroughs, allowing useful information to be efficiently extracted from massive data sets (machine learning) and turned into actionable decisions (operations).

It will also contribute to training a knowledgeable workforce of data scientists with entrepreneurial skills to maximize the benefits of the research.

Major tax incentives to support the development of Québec's artificial intelligence ecosystem

For a number of years, the Québec government has invested in tech companies, namely through different tax measures to help develop an artificial intelligence ecosystem.

Research and development tax credits

A business that carries out research and development (R&D) activities in Québec may benefit from four refundable tax credits. Introduced in 1983, the Québec R&D tax credit applies to researcher salaries and wages. Over the years, other tax credits have been added, including the tax credits for university research, private partnership research, and research consortia.

The tax credit rates are 30% for SMBs and 14% for large businesses and, depending on the case, tax assistance applies to salaries, materials, the amount paid to subcontractors or contributions paid to a research consortium.

A company may also be eligible for the federal R&D tax credit, which is in addition to Québec tax assistance.

Tax credit for the development of e-business

First introduced in 2008, the tax credit for the development of e-business seeks to increase business productivity by stimulating the supply of value-added software that will directly improve business processes and work practices as well as boost innovation.

The tax credit encourages value-added innovative activities in the fields of design and development of IT systems and software related to e-business.

Tax assistance includes a refundable tax credit of 24% and a non-refundable tax credit of 6% and applies to the amount of the salaries paid to employees specialized in IT.

Tax holiday for foreign researchers and experts

A foreign researcher or expert who comes to Québec to work and who contributes to innovative projects may, since 1987, benefit from a tax holiday from personal income tax.

The tax holiday consists of a deduction in the calculation of the individual's taxable income equal to 100% of the individual's salary for the first and second years, 75% for the third year, 50% for the fourth year and 25% for the fifth year.

In particular, this measure supports foreign researchers and experts working for a business that carries out R&D activities in Québec, as well as professors and post-doctoral researchers working for a Québec university or public research centre.

6.4 Implement the life sciences strategy

In 2016, the life sciences industry accounted for approximately 630 companies supporting more than 30 000 highly qualified jobs in Québec. Moreover, this industry stimulates the creation of almost as many jobs in public research centres as it does among suppliers.

The life sciences sector has undergone significant change over the last few years. Many technological innovations and new regulatory requirements have led the industry to adopt new business models and governments to consider integrating certain technologies to reduce health-related costs and improve patient care.

☐ More than $150 million to promote development in the life sciences sector

To ensure the growth of this sector while taking into account the new environment in which it is evolving, the Québec Economic Plan includes additional funds totalling $117.5 million to implement the life sciences strategy.

The deployment of the new strategy is based on consultations carried out within the framework of the Life Sciences Working Group. The working group's preliminary recommendations made it possible to announce measures totalling $33.8 million in *The Québec Economic Plan - March 2016* to create, in particular, the BioMed Propulsion program and to support clinical trials in collaboration with three university hospitals, including the McGill University Health Centre, the Centre hospitalier de l'Université de Montréal, and the Centre hospitalier universitaire Sainte-Justine.

The Life Sciences Working Group presented its primary recommendations to the government in May 2016. Most of these recommendations will be reflected in the life sciences strategy to be unveiled in spring 2017 by the Minister of Economy, Science and Innovation. This strategy will benefit from a total of $151.3 million for the years 2016-2017 to 2021-2022.

TABLE B.37

Financial impact of the life sciences strategy
(millions of dollars)

	2016-2017	**2017-2018**	**2018-2019**	**2019-2020**	**2020-2021**	**2021-2022**	**Total**
Québec Economic Plan – March 2016	−2.6	−12.2	−11.7	−6.7	−0.6	—	−33.8
Québec Economic Plan – March 2017	−2.0(1)	-15.5	−25.0	−25.0	−25.0	−25.0	−117.5
TOTAL	**−4.6**	**−27.7**	**−36.7**	**−31.7**	**−25.6**	**−25.0**	**−151.3**

(1) The subsidies granted in 2016-2017 will enable new initiatives to be funded.

Life Sciences Working Group

The Québec Economic Plan – March 2015 announced the creation of the Life Sciences Working Group. Through this initiative, the government hoped to promote development in the biopharmaceutical industry, a key sector of Québec's economy because of the high value-added jobs associated with it.

The mandate of the Life Sciences Working Group, composed of the main industry stakeholders, was to determine which avenues would ensure the sustainable development of the industry in Québec.

The Life Sciences Working Group brought together the main stakeholders involved in everything from innovation and research to marketing to consult with them with the aim of presenting recommendations to the government, especially within the context of creating a new life sciences strategy. Thus, more than 75 participants contributed to the work of four projects on the following topics:

- integrating innovation into the health and social services network;
- meeting the challenges of research and innovation;
- meeting industry challenges;
- promoting the sector.

As the activities of the Life Sciences Working Group's various task forces progressed, the government was already able to announce the initial steps of the strategy in *The Québec Economic Plan – March 2016*, in particular:

- $100 million for the BioMed Propulsion program to promote the marketing of Québec discoveries;
- support to carry out early clinical trials;
- support of the Montréal Clinical Research Institute;
- accelerating the review of new drugs by the Institut national d'excellence en santé et en services sociaux.

The final report describing all the recommendations of the different task forces was presented to the government on May 9, 2016. In spring 2017, the Minister of Economy, Science and Innovation will announce the details of the life sciences strategy.

The government plans to ensure the growth of the industry by focusing on research and by supporting the financing of companies to create high-quality jobs all along the innovation chain. The life sciences strategy will revolve around four major areas:

- increasing investment in research and innovation;
- promoting innovative start-up companies and ensuring their growth;
- attracting new private investment;
- integrating innovation more fully into the health and social services network.

Increase investment in research and innovation

The government aims to reinforce research excellence and encourage industry stakeholders to work together on research projects. To achieve this, the life sciences strategy will encourage collaboration among industry stakeholders so as to support the most promising initiatives to help Québec compete internationally. This strategy will provide, among other things:

- a support fund for large-scale, public and private initiatives that is expected to launch, by the end of 2017, a call for proposals to finance initiatives that highlight and promote Québec's research strengths, especially work being done at university research centres;
- support in the form of $2 million to IRICoR, the body responsible for marketing research carried out by the Institute for Research in Immunology and Cancer at the Université de Montréal, to allow the Institute to undertake, in particular, high-level drug development projects that will attract interest from private partners.

Promote innovative start-ups and ensure their growth

The government intends to support the start-up and development of Québec companies that create jobs and wealth by ensuring that financing and business expertise are available at all stages of the innovation development process. The life sciences strategy will announce, in particular, measures aimed at:

- financing research and technological maturation carried out by a public research centre;
- making it easier for companies in the industry to access financing, allowing them to pursue their growth in Québec;
- encouraging mentorship and coaching activities aimed at the start-up and acceleration of young companies with significant growth potential.

Attract new private investment

The government will encourage significant private and foreign investment, positioning Québec on the international stage in order to seize business opportunities. The life sciences strategy will encourage the creation and growth of companies in Québec while helping to promote the industry by:

- facilitating business opportunities and partnerships with investors, buyers, and research partners;
- raising the profile of Québec's life sciences industry internationally;
- helping Québec companies to expand their network internationally.

Integrate innovation more fully into the health and social services network

The government would like all Quebecers to benefit from innovations developed in Québec and brought to Québec while ensuring the sustainability of the health and social services system.

Successful integration of technological innovations into the health system depends on the involvement of a vast number of participants and requires rigorous technology integration processes.

To get there, the life sciences strategy will focus on, among other things, the creation of an innovation bureau. It will also include financial tools to accelerate the introduction and optimal application of innovative technologies in the health and social services network.

Moreover, the Québec Economic Plan provides for the continuation of the support to the Institut national d'excellence en santé et en services sociaux announced in *The Québec Economic Plan – March 2016* to speed up access to specific drugs that represent a significant therapeutic breakthrough or offer the possibility of substantial savings. This measure is aimed at accelerating the assessment of specific new drugs to register them before they are licensed by Health Canada.

☐ Funding of initiatives in favour of the life sciences sector

In addition to the $2 million paid in 2016-2017, the Québec Economic Plan provides for additional appropriations of $106.5 million to the Ministère de l'Économie, de la Science et de l'Innovation for the implementation of the life sciences strategy: $13.7 million in 2017-2018, and $23.2 million per year for the years 2018-2019 to 2021-2022.

Additional appropriations of $9 million will also be granted to the Ministère de la Santé et des Services sociaux: $1.8 million per year for the years 2017-2018 to 2021-2022. For 2017-2018, the amounts earmarked for the Ministère de la Santé et des Services sociaux will be drawn from the Contingency Fund.

6.5 Promote research by encouraging access to data

Thanks to new technologies, big data analysis has become possible, helping to increase the value of the data for the benefit of the entire knowledge sector.

In this context, the government intends to foster a favourable environment to facilitate access to its databases for research purposes. The data has significant scientific and economic potential, especially in the health care field, and making use of it is essential for ensuring research excellence.

To do this, the Québec Economic Plan proposes establishing a working committee that will develop a general process to access certain databases for research purposes, particularly in the health care field.

This initiative is one of a series of measures aimed at making the government more open to the Québec population.

As part of its mandate, the committee will also be:

- assessing how the Institut de la statistique du Québec could improve its services through access to data;
- providing the resources required to optimize the roll-out of the access process;
- identifying the legislative and regulatory changes that need to be made;
- ensuring personal information is protected.

Under the coordination of the Ministère des Finances, the committee will include representatives of the Ministère de la Santé et des Services sociaux, the Ministère de l'Économie, de la Science et de l'Innovation, the Institut de la statistique du Québec, the Régie de l'assurance maladie du Québec, the Commission d'accès à l'information, and the Secrétariat à l'accès à l'information et à la réforme des institutions démocratiques.

- Consultations may also take place to gather proposals from the various participants concerned, including regarding the security measures that need to be put in place to ensure personal information protection.

The committee will have to conclude its work and submit recommendations to the government by fall 2017.

6.6 $125 million to promote the development of the innovative manufacturing sector

To offer greater support to Québec manufacturers as they modernize and innovate, the government announced, in September 2016, the implementation of the Manufacturing Initiative.

This initiative is aimed at helping manufacturing companies to address the four main challenges facing the manufacturing sector: labour, product innovation, process innovation and exports.

In connection with this initiative, the Québec Economic Plan provides for an additional funding envelope of $125 million to the innovative manufacturing sector.

❑ Significant support for the innovative manufacturing sector

This new investment will allow the government to offer additional funding to innovative manufacturers so that more of them can innovate and integrate new technologies into production processes.

This funding will, in particular, help stimulate investments that companies need to begin the shift to Industry 4.0. Interconnected systems, centralized data and integrated management are crucial to improve the competitiveness of manufacturing companies.

This $125 million envelope complements the appropriations announced by the Minister of Economy, Science and Innovation in April 2016 to support innovative manufacturing companies throughout Québec.

To this end, the Ministère de l'Économie, de la Science et de l'Innovation will receive additional appropriations in the amount of $48.5 million over the course of the next five years: $3.5 million in 2017-2018, $10 million in 2018-2019, $15 million in 2019-2020, $12.5 million in 2020-2021, and $7.5 million in 2021-2022. The amounts for 2017-2018 will be drawn from the Contingency Fund.

❑ A forum in spring 2017

Since fall 2016, experts from the Manufacturing Initiative have been consulting with entrepreneurs and partners in the manufacturing sector throughout Québec.

The round of consultations will end on April 7, 2017 in Montréal with a large national forum to be held with more than 500 political leaders, financiers, manufacturers, researchers, company heads and representatives from Québec's business community.

The Manufacturing Initiative Action Plan

The Manufacturing Initiative is composed of Investissement Québec, the Ministère de l'Économie, de la Science et de l'Innovation, Fonds de solidarité FTQ, Sous-traitance Industrielle Québec, Manufacturiers et Exportateurs du Québec, the Groupement des chefs d'entreprise, the Fédération des chambres de commerce du Québec, and Deloitte.

The Manufacturing Initiative Action Plan comprises ten structuring actions in response to the four main challenges faced in the manufacturing sector: labour, product innovation, process innovation and exports.

Ten solutions for Québec's manufacturing industry

The Manufacturing Initiative proposes ten solutions for the Québec manufacturing industry:

- launch a campaign to promote and raise awareness about manufacturing sector occupations;
- create a one-stop portal; all support measures will be available through the Enterprises Québec online portal;
- develop coaching for innovative manufacturers; manufacturing businesses that receive a diagnosis of 4.0 will be given the title "innovative manufacturer";
- support local innovation and production of secondary and tertiary processing businesses;
- establish an exporter network to discuss and share experiences;
- adapt the dual model for Québec;
- focus on more targeted immigration that is better structured to meet labour needs, particularly in rural areas;
- encourage businesses to collaborate on projects for automated and innovative processes to enhance their competitiveness;
- train the next generation of marketing specialists to help businesses break into export markets;
- provide financial support to manufacturing businesses.

6.7 $46 million to stimulate innovation in the forestry sector

In October 2016, the government held the Forum Innovation Bois, bringing together Québec forest products industry leaders. The purpose of this meeting was to develop a shared vision for the future and to identify solutions to ensure the sustainability of the Québec forestry industry, for the benefit of Québec regions.

Based on the priorities identified by the industry, the government committed, at the end of the forum, to providing businesses with coaching for their innovative projects in order to diversify, consolidate and modernize the forest products industry.

To this end, the government will deploy a new strategy for developing the forest products industry in 2017.

To lay the groundwork for this strategy, the Québec Economic Plan sets out $45.5 million in measures to:

— enhance the Programme Innovation Bois;

— support bodies involved in innovation in the forestry sector;

— set up a new platform for developing next-generation composite panels and engineered wood products.

TABLE B.38

Financial impact of the measures to stimulate innovation in the forestry sector
(millions of dollars)

	2016-2017[1]	**2017-2018**	**2018-2019**	**2019-2020**	**2020-2021**	**2021-2022**	**Total**
Enhancement of the Programme Innovation Bois	—	−2.5	−5.0	−5.0	−5.0	−5.0	−22.5
Support for bodies involved in forestry sector innovation	−19.0	—	—	—	—	—	−19.0
New platform for developing composite panels and engineered wood products	—	−1.0	−1.0	−1.0	−1.0	—	−4.0
TOTAL	**−19.0**	**−3.5**	**−6.0**	**−6.0**	**−6.0**	**−5.0**	**−45.5**

(1) The subsidies granted in 2016-2017 support the funding of new initiatives.

6.7.1 Enhancement of the Programme Innovation Bois

To encourage increased competitiveness of the forest product industry, *The Québec Economic Plan – March 2016* announced a $22.5-million envelope over five years for the implementation of a program to support innovation in forest products.

The broad lines of this program were presented at the Forum Innovation Bois held in October 2016.

Since that time, many supporting projects have been submitted to the government, potentially cutting around 50% of the envelope announced in March 2016.

— Several other projects were discussed and show promise for the industry.

As a result, the Québec Economic Plan provides an additional $22.5 million to the Programme Innovation Bois. This sum will double the program's appropriations in order to bring to fruition more innovative projects to support the growth of the forest product industry.

This program is aimed at encouraging applied research and the creation of innovative products and processes for the forest products industry.

To this end, additional appropriations of $22.5 million will be allocated to the Ministère des Forêts, de la Faune et des Parcs over the next five years: $2.5 million in 2017-2018 and $5 million each year from 2018-2019 to 2021-2022. The amounts for 2017-2018 will be drawn from the Contingency Fund.

TABLE B.39

Envelope for the Programme Innovation Bois
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Québec Economic Plan – March 2016	2.5	5.0	5.0	5.0	5.0	—	22.5
Québec Economic Plan – March 2017	—	2.5	5.0	5.0	5.0	5.0	22.5
TOTAL	**2.5**	**7.5**	**10.0**	**10.0**	**10.0**	**5.0**	**45.0**

6.7.2 Support for bodies involved in forestry sector innovation

The wood industry offers a wide range of possibilities with cross-sector potential. New wood products are entering the market and production methods are increasingly making way for new technologies.

Recognized research bodies have been working jointly with the forestry sector for several years to improve the productivity of and diversify this industry. The actions carried out have resulted in concrete, positive outcomes for the industry.

The Québec Economic Plan is therefore providing for $19 million to support bodies involved in forestry sector innovation:

- $17 million for FPInnovations to fund its collaborative research program and support the sawmill of the future;
- $2 million for the Québec Forest Industry Council's Centre d'expertise sur la construction commerciale en bois (Cecobois).

TABLE B.40

Financial impact of the measures to support bodies involved in the forestry sector
(millions of dollars)

	2016-2017(1)	**2017-2018**	**2018-2019**	**2019-2020**	**2020-2021**	**2021-2022**	**Total**
Support for FPInnovations							
– Collaborative research program	−4.0	—	—	—	—	—	−4.0
– Sawmill of the future	−13.0	—	—	—	—	—	−13.0
Provide support for Cecobois activities	−2.0	—	—	—	—	—	−2.0
TOTAL	**−19.0**	**—**	**—**	**—**	**—**	**—**	**−19.0**

(1) The subsidies granted in 2016-2017 support the funding of new initiatives.

☐ Provide support to FPInnovations

FPInnovations is a pan-Canadian not-for-profit organization with its head office in Québec. It is one of the largest private scientific research centres in the world and a global leader in the creation science-based solutions that support competitiveness in Canada's forestry sector.

This organization plays a leading role in growing the forestry sector.

Support for the collaborative research program

To secure stable funding for FPInnovations, the Québec Economic Plan provides for $4 million for the organization's collaborative research program.

FPInnovations

The mission of FPInnovations is to meet the priority needs of its industry members and government partners. This organization's members include private sector stakeholders as well as colleges, universities, provincial governments and the federal government.

FPInnovation's activities

FPInnovations carries out research and development activities and provides business coaching at every level of the forest products industry. Specifically, it helps design:

- innovative solutions to foster safe, sustainable forest-wood harvesting, as well as innovation in transportation;
- technological tools and platforms to help member companies increase their manufacturing efficiency and cut production costs;
- new organic chemicals made from wood and new bioenergy processes, with a focus on integration into existing forestry industry infrastructures.

Support for the sawmill of the future

To maximize production in Québec's sawmills, in particular by focusing on optimizing the use of every log, FPInnovations developed a project for the sawmill of the future that would enable them to design new business models.

The Québec Economic Plan will back the project by providing $13 million in funding to FPInnovations.

This will go toward developing new wood-processing concepts via industry trials, demonstrations and commercial use in sawmills. Specifically, the project is aimed at:

- increasing wood recovery by 30%;
- reducing by-product production by 20%;
- growing sawmill revenues through enhanced presence in non-traditional markets.

To effectively modernize sawmills in Québec, FPInnovations will provide coaching to businesses for implementing new processes and adopting new business models.

The federal government and the Government of Ontario are also expected to support the project. Overall, the project should receive more than $40 million in investments.

☐ Provide support for Cecobois activities

Activities for the Centre d'expertise sur la construction commerciale en bois (Cecobois) have, in recent years, increased knowledge of wood construction to encourage a wider range of wood use in multi-family and non-residential construction in Québec.

The Québec Economic Plan provides for $2 million to fund the activities of Cecobois.

These funds are intended to increase the use of wood in construction in Québec in keeping with various measures under the Wood Charter, a government commitment made in April 2015.

There are many benefits to expanding wood use in construction, which include:

- creating and strengthening jobs across the value chain of the forestry sector in Québec;
- helping to fight climate change by storing carbon in wood and replacing materials with a greater ecological footprint.

Status of negotiations on softwood lumber

The American lumber coalition filed a complaint with the American Department of Commerce on November 25, 2016 to have countervailing and antidumping duties imposted on Canadian exports of softwood lumber to the American market.

The application of countervailing duties could come into force at the end of April 2017 following a preliminary determination by the American Department of Commerce.

This led to the creation of the Federal–Provincial Task Force on Softwood Lumber.

The task force's mandate consists in:

- evaluating the impact on the industry of taxes that could potentially be imposed by the American Department of Commerce;
- ensuring a common understanding of current intervention measures;
- developing new measures to mitigate job losses and limit negative impacts on local communities and workers who depend on the forest industry.

The main concern of the Government of Québec is to limit negative impacts on local businesses, workers and communities who depend on the forest local industry.

To this effect, Québec maintains that the federal government's intervention is essential to support forestry companies. This intervention should be in the form of a Canadian program for loans or loan guarantees.

The Government of Québec plans to support the industry during these negotiations.

6.7.3 New platform for developing composite panels and engineered wood products

Québec's industry for composite panels and wood products exports 47% of its production and creates roughly 8 000 direct jobs. It generates over $1 billion in revenues annually. It is a key sector of the forest products industry and a major outlet for the sawmill by-product and wood recovery industries.

Accordingly, the Québec Economic Plan provides for $4 million over four years for the implementation of an innovation platform to support and accelerate the development of next-generation composite panels and engineered wood products.

The platform is aimed at placing Québec's industry at the forefront of innovative businesses that are creating products, uses and processes, and developing markets.

It will require hiring highly skilled researchers and sharing of research equipment between partners FPInnovations, Université Laval and Service de recherche et d'expertise en transformation des produits forestiers (SEREX), an affiliate of Cégep de Rimouski.

To this end, $1 million in additional appropriations will be allocated to the Ministère des Forêts, de la Faune et des Parcs each year from 2017-2018 to 2020-2021. The amounts for 2017-2018 will be drawn from the Contingency Fund.

6.8 $22 million to promote maritime research

The scope and complexity of maritime issues call for in-depth scientific expertise to foster optimal, sustainable use of maritime assets and stay on top of new economic and technological trends. Research and development plays a major role in achieving Québec's Maritime Strategy objectives by the year 2030.

The Québec Economic Plan will encourage and accelerate the acquisition of expertise and research in the maritime industry. It sets out various initiatives in alignment with the Maritime Strategy:

- acquisition of scientific expertise through the Odyssée Saint-Laurent project;
- Marine Biotechnology Research Centre funding;
- support for the operation of the *Lampsilis* research vessel.

TABLE B.41

Financial impact of measures to promote maritime research
(millions of dollars)

	2016-2017[1]	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Acquisition of scientific expertise through the Odyssée Saint-Laurent project	—	−3.0	−3.0	−3.0	−3.0	−3.0	−15.0
Funding of Marine Biotechnology Research Centre	−5.0	—	—	—	—	—	−5.0
Support for the operation of the *Lampsilis* research vessel	−1.8	—	—	—	—	—	−1.8
TOTAL	**−6.8**	**−3.0**	**−3.0**	**−3.0**	**−3.0**	**−3.0**	**−21.8**

(1) The subsidies granted in 2016-2017 support the funding of new initiatives.

6.8.1 Acquisition of scientific knowledge through the Odyssée Saint-Laurent project

In order to benefit from the expertise of all maritime-sector stakeholders, the Maritime Strategy has announced that a Réseau Québec maritime (RQM) will be established.

As part of its mandate, RQM will establish a major research and transfer program, the Odyssée Saint-Laurent project. To advance scientific knowledge on the Saint Lawrence System,[8] the Québec Economic Plan is providing $15 million over five years to help the RQM make this project a reality.

The Saint Lawrence System is immense, and is of vital importance for Québec's economy. Additional information must be gathered on the structure of this system and the functioning of its marine, aquatic and fluvial ecosystems.

The knowledge acquired during the Odyssée Saint-Laurent project, especially through basic research, will allow us to take advantage of the full potential of the Saint Lawrence System in the aim of achieving economic prosperity and using the system's resources in a safe and sustainable manner.

The project will also mobilize partners beyond Québec's borders, as it will become the flagship project of the newly established France-Québec Institute for scientific cooperation to support the maritime sector.[9]

— This project will play a major role due to the scientific support it will provide for the activities of the new Centre d'expertise pour la gestion des risques d'incidents maritimes (centre of expertise for maritime accident risk management) in Îles-de-la-Madeleine.[10]

Additional appropriations of $3 million per year will therefore be disbursed to the Ministère de l'Économie, de la Science et de l'Innovation between 2017-2018 and 2021-2022. The amounts for 2017-2018 will be drawn from the Contingency Fund.

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[8] The "Saint Lawrence System" refers to the Gulf and the Estuary of Saint Lawrence and the Saint Lawrence River.

[9] The establishment of the France-Québec Institute for scientific cooperation to support the maritime sector is the result of a preliminary international collaborative project on maritime issues, as provided for in the Maritime Strategy.

[10] Details of this measure can be found under section 10.8.3.

The Odyssée Saint-Laurent project

Officially established in May 2016, the Réseau Québec maritime (RQM) aims to unite and mobilize Québec's research and innovation strengths in various fields with links to the maritime sector.

As part of its mandate, RQM will establish the Odyssée Saint-Laurent project in order to acquire strategic knowledge on the Saint Lawrence System through three projects:

- the Discovery Project, which is built around an innovative sampling and observation program targeting the acquisition of high-level knowledge on biological resources, biodiversity and environmental stress factors;
- the Applications Project, which aims to develop tools, technologies and practices in a variety of fields, such as maritime transport logistics, ships and ports of the future and navigation; and
- the Open Innovation Project, which will explore and establish various participative approaches in order to collect data and valorize the results, practices and innovations from all three projects, as well as scientific research conducted in collaboration with various partners.

6.8.2 Funding of Marine Biotechnology Research Centre

Founded in May 2004, the Marine Biotechnology Research Centre (MBRC) in Rimouski has a mission to foster industrial growth in the marine biotechnology sector through research, development and technology transfer, notably for the life sciences sector.

To help the MBRC carry out its mission, the Québec Economic Plan provides for an additional $5 million in funding for this body.

With this support, the MBRC will encourage the pursuit of research and innovation opportunities in connection with private firms, notably in connection with the orientations of the Maritime Strategy.

MBRC research will help modernize and ensure the longevity of the fishing and aquaculture industry with the help of recent advancements in marine biotechnology.

6.8.3 Support for the operation of the *Lampsilis* research vessel

Owned by the Université du Québec à Trois-Rivières, the *Lampsilis* is a laboratory research vessel specialized in freshwater research and sampling. The vessel has special features that allow it to sample in shallow river habitats as well as in deep water areas with strong currents and in the lower Saint Lawrence Seaway.

The Québec Economic Plan provides for $1.8 million in support of the *Lampsilis* activities and operations, notably to cover research costs and the regular maintenance of the vessel.

Since its commissioning in spring 2004, the *Lampsilis* has been deployed on several scientific missions on the Saint Lawrence River.

— The research vessel's sea missions include an important training component, as they give students and interns an opportunity to refine their skills, particularly in ecology and marine biology, using state-of-the-art infrastructure.

6.9 $6 million to support mining research

The use of new technology and innovative processes promotes productivity in mining corporations and can be a key factor in the profitability of certain projects. The development of innovations and the availability of cutting-edge equipment are therefore major assets for Québec's mining corporations.

COREM is a pre-competitive research consortium specialized in the processing and transformation of mineral substances. Its mission is to improve the competitiveness of its member firms through the development and transfer of technological innovations that meet their needs and comply with sustainable development objectives. At its Québec City pilot plant, the only one of its kind in Canada, it uses a wide range of instruments to meet the needs of Québec firms.

To help COREM carry out its mission, the Québec Economic Plan provides $6 million in funding.

6.10 $9 million to promote public policy research

In past years, the government has helped fund several high-level research bodies whose work helps fuel reflection and debate on subjects of public interest.

The Québec Economic Plan provides for additional funding of $9.3 million over five years to several such bodies. This will allow these bodies to pursue research in their specific fields.

Additional appropriations of $4.3 million in 2017-2018 and $0.8 million per year from 2018-2019 to 2021-2022 will be granted to the Ministère des Finances. Similarly, additional appropriations of $0.6 million in 2019-2020, 2020-2021 and 2021-2022 will be allocated to the Ministère du Conseil exécutif for the establishment of a Chaire de recherche sur la jeunesse.

TABLE B.42

Financial impact of measures to promote public policy research
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Funding for the Research Chair in Taxation and Public Finance	—	–0.8	–0.8	–0.8	–0.8	–0.8	–4.0
Funding for the Institut du Québec[1]	—	—	—	—	—	—	—
Support to search for innovative solutions to modernize the State	—	–1.0	—	—	—	—	–1.0
Funding for the Centre for Productivity and Prosperity	—	–2.5	—	—	—	—	–2.5
Establishment of a Chaire de recherche sur la jeunesse	—	—	—	–0.6	–0.6	–0.6	–1.8
TOTAL	**—**	**–4.3**	**–0.8**	**–1.4**	**–1.4**	**–1.4**	**–9.3**

(1) The funding for Institut du Québec comes from the Ministère des Finances expenses.

☐ Funding for the Research Chair in Taxation and Public Finance

The Université de Sherbrooke's Research Chair in Taxation and Public Finance aims to foster research and interdisciplinary education by bringing together professors and researchers with an interest in economic policy and taxation.

The Québec Economic Plan provides for an amount of $4 million disbursed over the next five years to sustain the development of Québec expertise in fiscal policy and tax law.

❑ Funding for the Institut du Québec

With the support of leading economists and researchers, the Institut du Québec is tasked with guiding the development of better public policy in Québec in order to make an active contribution to public debate.

The Québec Economic Plan will provide annual funding of $500 000 from 2017-2018 to 2019-2020 to allow the Institut du Québec to continue its public policy work in Québec.

❑ Support to search for innovative solutions to modernize the State

The Centre interuniversitaire de recherche en analyse des organisations (CIRANO) is composed of more than 230 professors-researchers working in various fields such as public policy, sustainable development and the economy of demographic changes.

The Québec Economic Plan allocates $1 million to CIRANO in 2017-2018 to support the search for innovative solutions to problems in the health care system in order to improve access to available services by the population.

❑ Funding for the Centre for Productivity and Prosperity

The mission of the HEC Montréal Centre for Productivity and Prosperity – Walter J. Somers Foundation (CPP-HEC), which was established in 2009, is to raise awareness and educate the public on productivity-related issues.

To secure stable funding for this centre over the next five years, the Québec Economic Plan provides for an amount of $2.5 million to be disbursed to the CPP-HEC. This amount will allow the centre to pursue its research, which notably aims to analyze the productivity challenges affecting Québec's economy and to propose innovative solutions to secure prosperity for Québec.

❑ Establishment of a Chaire de recherche sur la jeunesse

In its 2016-2021 Youth Action Strategy, the government expressed its intention to establish a Chaire de recherche sur la jeunesse du Québec. The Québec Economic Plan confirms the establishment of and funding for the Chaire de recherche sur la jeunesse du Québec, which will have a mandate to:

- establish a mechanism for knowledge transfer between the government and partners working with youth;
- foster the synergy and complementarity of scientific research on youth (young people aged 15 to 29);
- bolster expertise in relation to issues affecting youth, especially youth from Aboriginal communities, youth with an immigrant background and vulnerable youth.

The Secrétariat à la jeunesse will oversee the operations of this research chair in partnership with the Québec Research Fund – Society and Culture.

7. PROMOTING ENTREPRENEURSHIP AND FUNDING GROWING BUSINESSES

Entrepreneurship is a pillar of the Québec Economic Plan. It contributes to the creation of jobs and wealth, the dissemination of innovation, and the stimulation and diversification of Québec's regional economies.

Québec faces challenges when it comes the creation and sustainability of businesses, but Quebecers are showing an increasing interest in going into business for themselves.

- According to Réseau M's Québec Entrepreneurship Index presented by the Caisse de dépôt et placement du Québec, the entrepreneurial intention rate of Quebecers was 21% in 2016, or three times the rate in 2009.
- In addition, the entrepreneurial intention rate is twice as high in Quebecers aged 18 to 34 as in the general population, which shows the interest of young people for entrepreneurship.

Therefore, it is important to make sure that potential entrepreneurs, in particular young people, have the means to turn these intentions into reality. Existing SMBs that have the potential to become tomorrow's leaders also need support.

With this in mind, the Québec Economic Plan provides for measures totalling $440 million to support entrepreneurship and ensure funding for growing businesses over the next five years, namely:

- immediate actions totalling close to $8 million to support entrepreneurship;
- additional support for the new entrepreneurship action plan;
- support to develop entrepreneurship in youth;
- initiatives to promote the start-up and growth of SMBs;
- $50 million to foster the co-operative buyout of businesses;
- increased support for social economy hubs;
- a plan to strengthen the Québec economy as an executive-driven economy.

TABLE B.43

Financial impact of measures to promote entrepreneurship and ensure the funding of growing businesses

(millions of dollars)

	2016-2017[1]	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Immediate actions to support entrepreneurship	−7.9	—	—	—	—	—	−7.9
Additional support for the new entrepreneurship action plan	—	−10.0	−15.0	−15.0	−15.0	−15.0	−70.0
Develop entrepreneurship in youth	—	−2.0	−2.0	−2.0	−2.0	−2.0	−10.0
Promote the start-up and growth of SMBs	−3.5	—	—	—	—	—	−3.5
$50 million for the co-operative buyout of businesses	—	−1.0	−1.5	−2.0	−2.5	−3.0	−10.0
Increased support for social-economy hubs	—	−1.1	−1.1	−1.1	—	—	−3.3
A plan to strengthen the Québec economy as an executive-driven economy	−17.0	−54.0	−59.0	−64.0	−69.0	−74.0	−337.0
Subtotal	**−28.4**	**−68.1**	**−78.6**	**−84.1**	**−88.5**	**−94.0**	**−441.7**
Measure funded as part of the plan *A plan for success: a lifelong process from early childhood*	—	2.0	2.0	2.0	2.0	2.0	10.0
TOTAL	**−28.4**	**−66.1**	**−76.6**	**−82.1**	**−86.5**	**−92.0**	**−431.7**

(1) The amounts allocated in 2016-2017 support the funding of new initiatives.

7.1 $8 million for immediate actions to support entrepreneurship

A new entrepreneurship action plan will be unveiled in the near future. This plan will be based on new measures, but also on initiatives already in place.

In order to start acting now to support entrepreneurship, the Québec Economic Plan has set aside close to $8 million to support initiatives that will contribute to the new action plan, including:

- $4 million to support Inno-centre;
- $1.2 million to finance business start-ups via the Startup Québec program;
- $2.7 million to support the École des entrepreneurs.

☐ $4 million to support Inno-centre

Corporation Inno-centre du Québec is a not-for-profit organization that offers professional services to innovative Québec SMBs.

- It was recognized as one of the highest-performing Canadian accelerators by a committee of venture capital specialists retained by the Department of Finance Canada as part of the Canada Accelerator and Incubator Program.

The Québec Economic Plan includes $4 million to help Corporation Inno-centre increase its interventions with businesses.

This assistance will enable Inno-centre to increase the number of intervention and consultation hours it offers and deploy new business cohorts in order to accelerate investments, especially in the form of share capital, for a large number of innovative manufacturing SMBs.

☐ Funding of start-up businesses

The purpose of the Startup Québec program is to reinforce the position of Québec's information and communication technologies (ICT) sector as a global leader, in particular by promoting fast and sustained growth for young innovative businesses.

The Québec Economic Plan provides for an additional $1.2 million as part of the Startup Québec program to finance promising projects, including several large-scale projects in the regions.

The supported projects should allow for the establishment of international partnerships and contribute to the creation and growth of start-up businesses in Québec.

☐ Support for the École des entrepreneurs

The École des entrepreneurs recently opened its doors in Montréal and hopes to extend its action to other regions of Québec.

The Québec Economic Plan includes a total of $2.7 million for the École des entrepreneurs to open four new schools in different regions of Québec.

The École des entrepreneurs intends to create a network of schools to improve coordination of the various emerging entrepreneurial skill development initiatives and share its expertise throughout Québec.

The École des entrepreneurs will also offer training and workshops on business start-up and growth.

Specialized assistance to support the digital shift for businesses in the retail sector

The sustainability of businesses depends on their ability to adapt to new business models. To maintain their competitiveness, businesses in the retail sector must adopt new technologies, particularly digital technologies.

To support this sector with its digital shift, an amount of $4.6 million is allocated to the Conseil québécois du commerce de détail (CQCD), which will help support 1 325 retailers.

This support project will make it possible to develop:

- digital capacity diagnostics so that the needs of retailers can be assessed;
- an action plan defining the business opportunities and the gaps to be addressed in the area of e-commerce.

In addition, the Centre facilitant la recherche et l'innovation dans les organisations (CEFRIO) will share its knowledge, know-how and key tools with the CQCD, which can then adjust its support to effectively meet the needs of those involved.

7.2 Additional support for the new entrepreneurship action plan

Entrepreneurship has a major economic, social and regional impact. The emergence of new entrepreneurs stimulates Québec's economy. By creating innovative SMBs, they:

- stimulate the development and use of new technologies;
- facilitate the implementation of new business models;
- support the marketing of innovative products;
- increase individual and collective prosperity.

In addition to clear advantages from an economic standpoint, entrepreneurship also has a social effect in that it encourages greater community belonging, supports sustainable development and allows youth to get involved in mobilizing projects.

❑ Additional investments of $70 million

To recognize the considerable importance of this pillar for Québec's economic action, the government will soon unveil an entrepreneurship action plan.

The Québec Economic Plan calls for an additional funding of $70 million over the next five years to support the implementation of this action plan.

❑ Main objectives of the action plan

The purpose of this plan is to clearly establish the entrepreneurship service offer in Québec and ensure coordinated and concerted government actions, while providing new concrete measures to address current issues. The initiatives set out in the action plan will have six main objectives:

- foster entrepreneurship and develop entrepreneurial skills;
- stimulate the emergence of more entrepreneurs, particularly among youth, women and immigrants;
- stimulate technological entrepreneurship and new forms of support, such as incubators and accelerators;
- encourage networking and mentoring, as well as technical and financial support;
- ensure access to different funding sources throughout the business development chain;
- streamline the transfer of businesses to future generations.

Thus, an additional $70 million will be allocated over the next five years to the Ministère de l'Économie, de la Science et de l'Innovation, including $10 million in 2017-2018 and $15 million per year for the subsequent four years. For 2017-2018, the amounts will be drawn from the Contingency Fund.

☐ $440 million over five years for entrepreneurship

These new amounts allocated to the new entrepreneurship action plan will be added to the other measures also set out in the Québec Economic Plan to support the start-up of SMBs and encourage their growth.

In total, from 2016-2017 to 2021-2022, more than $440 million is being provided to encourage entrepreneurship development and fund growing businesses.

The details of the action plan's interventions will soon be unveiled by the Minister responsible for Small and Medium Enterprises, Regulatory Streamlining and Regional Economic Development.

7.3 $10 million to develop entrepreneurship among young people

Attracting Québec youth to entrepreneurship is essential to support the creation of new businesses and ensure entrepreneurial succession.

In order to boost the entrepreneurial desires of young people by providing them with actual entrepreneurship experiences, the Québec Economic Plan provides for the implementation of an entrepreneurship experimentation program in schools, with a budgetary envelope of $10 million over five years.

Working with school boards and external partners, the new program will aim to:

- build entrepreneurship awareness in primary, secondary and vocational students;
- support entrepreneurship experimentation project in schools;
- give young people a concrete opportunity to experience the start-up and management of micro-businesses.

The program's parameters will be announced jointly by the Ministère de l'Éducation et de l'Enseignement supérieur and the Secrétariat à la jeunesse.

By fostering entrepreneurial culture in youth, the new program will help ensure a dynamic future for Québec's economy, in particular by stimulating the creation of new businesses and preparing the next generation of entrepreneurs to replace those who will retire in coming years.

To this end, starting in 2017-2018, an additional $2 million per year over five years will be allocated to the Ministère de l'Éducation et de l'Enseignement supérieur.

Report of the Comité de travail sur l'entrepreneuriat des jeunes entreprises

The Comité de travail sur l'entrepreneuriat des jeunes entreprises, chaired by the MP of Marguerite-Bourgeoys, Robert Poëti, released its report on February 19, 2017.

Its mandate was to recommend actions to promote access to public contracts for business start-ups. To accomplish this, the committee consulted with businesses, public bodies and groups and associations from the business community. It also analyzed best practices worldwide.

Committee's recommendations

The committee's recommendations focus on two areas of intervention:

- adopting measures to reduce the access barriers to public contracts for business start-ups by:
  - making start-ups aware of the measures in the Passeport Entreprises action plan,
  - creating an interdepartmental committee to implement the Passeport Entreprises action plan,
  - reducing payment times from public bodies,
  - encouraging subcontracting in the execution of public contracts,
  - integrating qualitative criteria when tendering public contracts, when possible;
- adopting measures that promote access to public contracts for business start-ups:
  - creating a business support group for start-ups that want to access public markets,
  - creating a Québec technology showcase program for innovative businesses,
  - setting up a certification system for businesses that have successfully completed the technology showcase program,
  - creating an annual directory of all products or processes that have satisfied the technology showcase's requirements,
  - integrating qualitative assessment criteria based on the innovative nature of a solution.

The Québec Economic Plan is taking action now to support the entrepreneurship of business start-ups. After analysis, initiatives based on the committee's recommendations could be implemented.

7.4 Foster the start-up and growth of SMBs

Access to funding is essential to the success of Québec SMBs throughout their development. In addition, start-ups need to be able to rely on financial advisors and the expertise and business networks of seasoned entrepreneurs.

As such, the Québec Economic Plan is announcing additional investments of $26 million in funds that support the start-up of Québec businesses and the growth of SMBs.

Working with other investors, the government facilitates access to funding for technology businesses and businesses in the co-operative, social economy and sustainable development sectors, particularly those established in the regions. Thus, the Québec Economic Plan provides for:

- $15 million to capitalize the RV Orbite Montréal fund;
- $7.5 million to increase the capitalization of the InnovExport Fund in Québec City;
- $3.5 million for the deployment of the local solidarity fund network in all regions of Québec;
- support for Fondaction's specific expertise;
- an adjustment of the investment standard of Capital régional et coopératif Desjardins to allow for an increase in the envelope of the Essor et Coopération fund.

Taking into account the leverage effect attributable to the matching of public sector and private investor funds, an additional $122.4 million will be available to fund Québec's innovative technology businesses and SMBs in the coming years.

TABLE B.44

Investment fund capitalization
(millions of dollars)

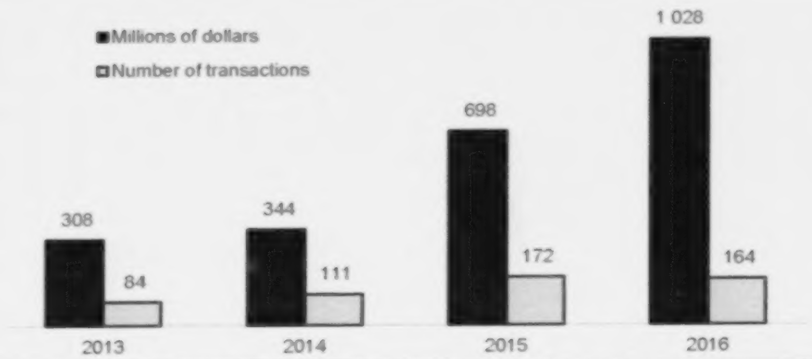
	Government of Québec	Other investors	Total
RV Orbite Montréal fund	15.0	15.0	30.0
New capitalization for the InnovExport Fund	7.5	7.5	15.0
Local solidarity funds	3.5	28.0	31.5
New capitalization for the Essor et Coopération fund	—	45.9	45.9
TOTAL	**26.0**	**96.4**	**122.4**

Venture capital investments in Québec in 2016

According to the Canadian Venture Capital and Private Equity Association and Réseau Capital, venture capital investments in Québec totalled over $1 billion in 2016, the highest since statistical records began in 2013. Results for 2016 show that:

- 31% of all venture capital transactions in Canada (530) took place in Québec, for a total of 164 transactions, which puts the province just behind Ontario (200);
- Montréal ranks second among Canadian cities for venture capital investments, with $835 million invested, divided into 119 transactions;
- almost half the investments made in Québec—$501 million in 90 transactions—were made in the information and communication technologies sector, while life sciences ranked second in Québec, with $313 million invested in 38 transactions;
- five transactions of more than $50 million took place in Québec, totalling $429 million, including DalCor Pharmaceuticals Canada, Hopper, Blockstream Corporation and Breather Products.

Evolution of the venture capital investments in Québec



Sources: Canadian Venture Capital and Private Equity Association and Réseau Capital.

7.4.1 $15 million to capitalize the RV Orbite Montréal fund

Thanks to a partnership with the Caisse de dépôt et placement du Québec, the Fonds de solidarité FTQ and Capital régional et coopératif Desjardins, the Québec Economic Plan provides for an investment of $15 million in the $30-million RV Orbite Montréal fund.

The creation of this pre-seeding and seeding fund for technology businesses is supported by the Real Ventures team in order to pursue its investment activities in co-operation with Québec incubators and accelerators, including FounderFuel.

The Real Ventures team, which has been supported by the government and several institutional and private investors since 2007, is recognized for its major contribution to Montréal's entrepreneurial ecosystem.

Its involvement in the management of several venture capital funds and the creation of the business accelerator FounderFuel and Notman House, as well as its contributions to numerous business networking events, demonstrate its willingness to take an active part in the development of new entrepreneurs.

The RV Orbite Montréal fund is projected to make more than 20 investments per year, mainly in the form of equity participation.

The fund will target the information technology, advanced technology and artificial intelligence technology sectors such as the Internet of Things, big data, robotics, connected cars, virtual reality, digital health, financial technologies and smart cities.

TABLE B.45

Capitalization of RV Orbite Montréal fund
(millions of dollars)

	Allocation
Government of Québec	15.0
Caisse de dépôt et placement du Québec	5.0
Fonds de solidarité FTQ	5.0
Capital régional et coopératif Desjardins	4.0
Other investors	1.0
TOTAL	**30.0**

As an agent of the Québec government, Investissement Québec will be in charge of administering this new fund. The government's participation will take the form of an investment with expected return. To that end, the sums required for the government's participation will be made available through an advance to the Economic Development Fund.

The details regarding the creation of this new fund will be released in the near future by the Minister of the Economy, Science and Innovation and the other sponsors of the fund.

Real Ventures

Considered one of the most active venture capital funds in Québec and in Canada, Real Ventures carried out 63 venture capital transactions in 2016. Since the start of its activities in 2007, the Real Ventures team has managed three venture capital funds, as well as the FounderFuel business accelerator starting in 2011:

- Montréal Start Up, a fund created in 2008, with a capitalization of $5 million, which has financed 15 businesses;
- Real Ventures II, a fund created in 2010, with a capitalization of $50 million, which has provided 59 businesses with seed capital, in addition to making 37 investments through FounderFuel;
- Real Ventures III, a fund created in 2013, with a capitalization of $88.5 million, which has financed 63 businesses, in addition to making 32 investments through FounderFuel.

Real Ventures' investment strategy is to actively support technology entrepreneurs who use networks, connectivity, cloud computing, software, big data and artificial intelligence to transform all sectors of activity.

Globally, since beginning its activities in 2007, the Real Ventures team has helped:

- finance over 190 businesses involving over 300 founders;
- create close to 2 000 jobs;
- recruit and structure a community of over 200 mentors;
- directly organize or support over 100 events, including Startup Fest, an international business festival;
- establish the Notman House project, a start-up hub in Montréal.

The new RV Orbite Montréal fund is an extension of the original mission of Real Ventures, which is to support entrepreneurs and contribute to the well-being of their host communities.

Source: Real Ventures.

7.4.2 $7.5 million to increase the capitalization of the InnovExport Fund

The Québec Economic Plan – March 2016 provided an investment of up to $15 million in the InnovExport Fund, a $30-million venture capital fund in Québec City with the capacity to invest in all regions of Québec. Since beginning its operations in the fall of 2016, the fund has assessed a significant number of projects. To meet the needs of the start-ups, an increase in its capitalization is required.

Therefore, under the Québec Economic Plan, the government will provide matching funds up to an additional $7.5 million to increase the capitalization of the InnovExport Fund. The matching funds will provide one government dollar for every dollar from other investors. Capital régional et coopératif Desjardins will contribute $5 million to the increased capitalization of the fund and $2.5 million will come from other investors. The capitalization of the InnovExport Fund could therefore reach $45 million.

The InnovExport Fund already involves fifteen seasoned entrepreneurs (the Group of 15), in addition to the Government of Québec, the Caisse de dépôt et placement du Québec, the Fonds de solidarité FTQ and Fondaction, to stimulate the creation of innovative companies with the potential of becoming world leaders. The fund also has the financial support of the Stratégie de développement économique de la Ville de Québec.

The objective of the InnovExport Fund is to provide a financing tool to support the seeding and start-up of innovative Québec companies with export ambitions that are accompanied by a Québec incubator or accelerator.

TABLE B.46

Capitalization of the InnovExport Fund
(millions of dollars)

	Allocation
Government of Québec	15.0
Institutional investors[1]	12.7
Group of 15	2.3
Subtotal – Québec Economic Plan – March 2016	**30.0**
New commitment from the Québec government	7.5
Capital régional et coopératif Desjardins	5.0
Other investors	2.5
Subtotal – Québec Economic Plan – March 2017	**15.0**
TOTAL	**45.0**

(1) Caisse de dépôt et placement du Québec, Fonds de solidarité FTQ and Fondaction.

As an agent of the Québec government, Investissement Québec will be in charge of administering the new governmental allocation. The government's additional participation will take the form of an investment with expected return. To that end, the sums required for the government's participation will be made available through an advance to the Economic Development Fund.

The details regarding the new capitalization of the InnovExport Fund will be made public in the near future by the Minister of the Economy, Science and Innovation and the fund partners.

Support for Québec venture capital funds as part of the federal venture capital initiative

In its 2017 budget, the federal government announced its intention to free up $400 million to increase the venture capital available to innovative businesses at an advanced stage of development.

In order to access the capital available under this initiative, private fund managers will have to present the federal government with proposals that will be assessed on the basis of capital from the public sector, benefits for Canadian companies, the proposed risk-sharing approach between the government and the private sector, and the investment strategy.

In order to ensure that Québec benefits from its share of federal investments and maintains its status as a Canadian venture capital leader, the Québec government will set up the necessary means for supporting Québec teams attempting to qualify for obtaining venture capital under this initiative.

The Québec government must continue to support strong teams across Québec's leading-edge sectors, including clean technologies, information and communication technologies, life sciences and innovative manufacturing.

The details of the Québec government's support will be disclosed at a later date.

7.4.3 Deployment of the local solidarity fund network in all regions of Québec

The Fonds de solidarité FTQ and the Fédération québécoise des municipalités (FQM) created the local solidarity fund network in 1991. This network has been built up over the years thanks to municipal officials and local partners. It supports the local economy through actions to develop SMBs and create and preserve sustainable, high-quality jobs. There are currently 73 local solidarity funds throughout Québec.

The Québec Economic Plan provides for the expansion of the local solidarity fund network to the province's 35 RCMs which are not currently covered. To that end, the government, through the FQM, undertakes to commit $3.5 million to finance up to 35 new local solidarity funds.

Through these new funds, the regions, some of which are facing economic difficulties, will benefit from significant leverage to stimulate the local entrepreneurial fabric. It is expected that each new fund will have $900 000 in funding, $750 000 from the Fonds de solidarité FTQ, $100 000 from the Québec government and $50 000 raised locally.

TABLE B.47

Contribution to 35 local solidarity funds
(in dollars)

	Contribution to each fund	Total contribution for the 35 funds
Fonds de solidarité FTQ	750 000	26 250 000
Government of Québec	100 000	3 500 000
Local	50 000	1 750 000
TOTAL	**900 000**	**31 500 000**

Businesses will therefore have access to financing, in the form of loans and participating loans, through local economic development specialists in the RCMs. These local funds will make adapted financing available to businesses, in order to:

- start or acquire a business;
- back up export projects;
- support the growth of a business;
- modernize a business and improve its productivity.

The details regarding the creation of the new local solidarity funds throughout Québec will be made public in the near future by the Minister in charge of Small and Medium Enterprises, Regulatory Streamlining and Regional Economic Development.

7.4.4 Support the specific expertise of Fondaction

Because of its size, which is close to $1.6 billion, Fondaction supports over 1 000 businesses from all economic sectors.

In order to share the expertise of Fondaction with even more businesses, in particular those involved in social economy and sustainable development, the Québec Economic Plan will amend its investment standard to allow it to make additional major strategic investments related to its specific expertise. Changes will be made to:

— the major investment category, in order to allow it to get more involved in major projects that have a structuring effect for Québec, particularly in social economy;

— the strategic investment policy, in the coming months, to make larger projects related to climate change eligible, with a view to energy efficiency, renewable energy, sustainable transportation and greenhouse gas reduction.

❑ Specific expertise of Fondaction

Fondaction is a partner of choice for social economy businesses and has been since its creation. As a result, Fondaction supports collective projects that meet a need in the community by investing in the development of co-operatives, not-for-profits and mutual organizations.

Fondaction is also recognized as a pioneer in sustainable development, in particular through its interventions in the area of clean technologies. It makes a unique contribution to the Québec's development by taking into account the social, economic and environmental issues linked to sustainable development.

Having grown in size over the years, Fondaction has a greater capacity to support larger projects and bigger businesses that have a structuring effect on the economy of Québec.

Review of the Fondaction Green Technology Investment Plan outlined in *The Québec Economic Plan – March 2016*

In *The Québec Economic Plan – March 2016*, Fondaction committed to investing a minimum of $50 million over two years in businesses or projects that make a positive contribution to reducing the impact of climate change.

Fondaction has to submit an accountability report to the government regarding its investment plan to reduce the impact of climate change.

Fondaction recently presented its investments to demonstrate it has met its commitment. In under a year, it is about to meet its target.

Fondaction has invested $42.3 million in new commitments to fight climate change, such as:

- CoPower, a clean energy and green infrastructure financing company that provides simplified financing solutions for projects that generate measurable carbon emission reductions;
- Taxelco, a green and social economy business designed to consolidate the interests of the taxi industry for the benefit of all its stakeholders and users and to increase the demand for electric vehicles;
- Fonds Carbone, a fund specialized in the financing of projects that reduce greenhouse gas emissions in exchange for offset credits that will be generated.

7.4.5 Increase in the envelope of the Essor et Coopération fund

Capital régional et coopératif Desjardins (CRCD) is a development fund of nearly $1.8 billion that specializes in financing co-operatives and businesses located in the resource regions.

At the initiative of CRCD, the Essor et Coopération fund was created in 2012. The $44-million fund supports the growth of co-operatives, and the CRCD's share is $40 million. The government has also contributed $4 million through the Economic Development Fund.

As a large portion of the capital has already been committed and disbursed, the Québec Economic Plan amends the CRCD's investment standard to allow it to commit an additional $45 million to the Essor et Coopération fund.

❑ Particularities of the Essor et Coopération fund

The Essor et Coopération fund is particular in that a co-op network, the Conseil québécois de la coopération et de la mutualité, is involved in the investment decisions. As a result, the interests and aspirations of the stakeholders of the co-operative community are taken into account to meet the needs of the co-operatives.

In addition, three new partners join the recapitalization of the fund: SSQ, Société d'assurance-vie inc., La Coop fédérée and Promutuel Réassurance, for a total injection of $0.9 million. The size of the fund will then reach close to $90 million.

TABLE B.48

Financing structure of the Essor et Coopération fund
(millions of dollars)

Sponsors	Initial capitalization	Recapitalization	Total
Capital régional et coopératif Desjardins	40.0	45.0	85.0
Government of Québec	4.0	—	4.0
SSQ, Société d'assurance-vie inc.	—	0.25	0.25
La Coop fédérée	—	0.25	0.25
Promutuel Réassurance	—	0.4	0.4
TOTAL	**44.0**	**45.9**	**89.9**

Review of the CRCD venture capital investment plan outlined in *The Québec Economic Plan – March 2016*

In *The Québec Economic Plan – March 2016*, the government announced that Capital régional et coopératif Desjardins (CRCD) would invest a minimum of $20 million over the coming years in initiatives designed to capitalize new venture capital funds, in particular in partnership with the government.

The objective of this commitment was mainly to alleviate a significant need for capital in venture capital funds where the number of potential investors is limited.

CRCD has to submit an annual accountability report to the government regarding its venture capital investment plan.

CRCD has identified the first two venture capital funds it will invest in with the government:

- the RV Orbite Montréal fund, in the amount of $4 million;
- the InnovExport Fund, in the amount of $5 million.

Thus, CRCD's total contribution to the capitalization of new venture capital funds would be $9 million, fulfilling nearly half its target after the first year.

7.5 $50 million for the co-operative buyout of businesses

Under the Social Economy Action Plan 2015-2020, the government set up the Repreneurs collectifs roundtable, which was mandated to make recommendations to efficiently contribute to co-operative buyouts in Québec.

In response to the committee's recommendations, the Québec Economic Plan provides for the creation of a new program to support the co-operative buyouts. This program will have a budget of $50 million over the next five years.

❑ Collective entrepreneurship as a solution to business succession

Entrepreneurial succession represents a major challenge for Québec. With the ageing of entrepreneurs, the number of Québec businesses put up for sale is expected to surge in the coming years.

- One of the challenges is to keep the ownership of these businesses and their jobs in Québec.

Co-operative buyout is one avenue for addressing this issue, but in many situations, it is difficult for a co-operative of employees to put together the equity needed to acquire a significant share or all of a business.

The new program to support co-operative buyout will allow workers who form a co-operative to obtain financing at advantageous conditions for the complete or partial purchase of a business, including:

- preferential interest rate;
- sliding scale of interest over five years;
- three-year capital repayment holiday.

This measure will complement the investment of the co-operative buyers and create leveraging to finance the takeover of larger business while also reducing the financial burden on the investors.

❑ $50 million in financing available for co-operative business buyouts projects in Québec

With a budget of $50 million, the co-operative buyout support program should support 100 co-operative buyouts projects over the next five years, helping to preserve 3 000 jobs throughout Québec.

— In this regard, an additional appropriation of $10 million over five years will be granted to the Ministère de l'Économie, de la Science et de l'Innovation, including $1 million in 2017-2018. For 2017-2018, the amounts will be drawn from the Contingency Fund.

TABLE B.49

Financial impact of the co-operative buyout support program
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Fostering co-operative buyouts	—	−1.0	−1.5	−2.0	−2.5	−3.0	−10.0

❑ Eligibility criteria

The new co-operative buyout support program will be available to all cooperatives in Québec.

— In the case of a shareholder workers cooperative, the acquisition of a minimum of 15% of the shares of the operating business will be required, together with the presentation of a plan aiming at becoming the business's majority shareholder over the next ten years.

Projects in all economic sectors will be eligible for the program, with priority being given to the manufacturing and propulsive tertiary sectors.

The measure will be administered by Investissement Québec, whose responsibilities will include analyzing the eligibility and long-term economic viability of the projects, as well as authorizing the financial assistance.

The program will end on March 31, 2022, or when the amount of financial assistance reaches $50 million.

Illustration of the co-operative buyout support program

As an example, a shareholder workers co-operative is created within a business in order to acquire 25% of the shares for a price of $1.25 million.

To achieve this, the workers invest $250 000 and take out a loan of $1 million for a five-year term. The co-operative issues qualifying shares of the Cooperative Investment Plan to the worker members, paid for by salary deductions, in particular to repay the loan, create a reserve and cover various operating costs.

- Thanks to the new co-operative buyout support program, the shareholder workers co-operative can obtain a loan at an advantageous rate and an assumption of interest on reducing balances.

In addition to reducing the co-operative's financial burden by approximately 20%, the program allows it to reduce its capitalization, thereby giving it greater flexibility to finance the acquisition or additional shares by the Cooperative Investment Plan in subsequent years.

Illustration of the impact of the co-operative buyout support program – Total 5 years

	Without program(1)	With program(2)	Gap
Amount of loan	$1 000 000	$1 000 000	—
Loan repayment	$1 274 823	$1 020 004	–20%
Shares issued to workers(3)	$1 498 977	$1 216 793	–19%
Capitalization(4)	150%	122%	–19%

(1) Loan at 10% interest over five years.

(2) Loan at 3.11% interest over five years with assumption of interest on reducing balances (from 100% in year 1 to 20% in year 5).

(3) Qualifying shares in the Cooperative Investment Plan, including loan repayment, creation of reserve (10% of shares issued) and management fees (1.5% of acquired shares).

(4) The rule relating to excessive capitalization limits the amount of outstanding securities to 165% of the cost of the co-operative's investment in the company that employs its members.

TABLE B.50

Parameters of the co-operative buyout support program

Eligible businesses and projects	Workers', producers', consumers' or solidarity cooperative purchasing all or part of a business. The purchased business is to be operated as a cooperative. Shareholder workers cooperative acquiring at least 15% of the shares of the operating business, with the aim of becoming a majority shareholder within ten years. At least 75% of employees must be members of the shareholder workers cooperative. All economic sectors are eligible (except those that may pose ethical or moral problems), with priority given to the manufacturing and propulsive tertiary sectors (including the digital sector). Projects must demonstrate long-term viability.
Assistance granted	Unsecured term loan. Interest rate equal to the rate for bonds issued by the Gouvernement du Québec for a five-year term, increased by 1.25 percentage points. At the end of this period, the interest rate will be set on the same basis, in accordance with the current rate. Three-year moratorium on principal repayment (except for shareholder workers cooperatives). Assumption of Interest on reducing balances over five years: – 100% the first year; – 80% the second year; – 60% the third year; – 40% the fourth year; – 20% the fifth year.
Repayment conditions	The principal is repaid partly on a fixed monthly basis and partly on a variable annual basis (in proportion to funds generated), except for shareholder workers cooperatives, whose repayments are made on a fixed monthly basis. Advance repayments are permissible without penalty.
Other conditions	Maximum loan of $2 million per cooperative (except for major structuring projects). Maximum duration of financial assistance is 15 years. The loan must not exceed 25% of the business' total assets for the acquisition of assets, or 80% of the cost of share capital for an acquisition of shares. Combined government financial assistance must not exceed 90% of the cost of the project. The initial investment must be at least one third of the loan (15% for shareholder workers cooperatives). A minimum after-project adjusted capitalization ratio (quasi-equity financing adjusted net assets) of 35% is required.
Effective period	The program will end on March 31, 2022. The amount of financial interventions cannot exceed $50 million.

7.6 Increased support for social-economy hubs

Like businesses in the traditional economy, collective entrepreneurs need access to appropriate capital, and to training and research-and-development tools.

In that regard, social-economy hubs play a vital role for social-economy businesses and collective entrepreneurship by providing them with financial support and assistance.

In order to promote the creation of social-economy and collective businesses, the Québec Economic Plan provides for additional assistance of $3.3 million over the next three years to social-economy hubs.

This support will ensure funding of the network of social-economy hubs throughout Québec, making it possible to increase their activities aimed at fostering the creation of social-economy businesses.

Additional appropriations of $1.1 million will be granted in 2017-2018, 2018-2019 and 2019-2020 to the Ministère de l'Économie, de la Science et de l'Innovation. For 2017-2018, the amounts will be drawn from the Contingency Fund.

The Social Economy Project and its links to social-economy hubs

The Social Economy Project consolidates its links with the regions by means of direct partnership agreements with regional social-economy hubs, which are mainly made up of collective enterprises and support organizations.

The role of the 22 social-economy hubs,[1] which are spread throughout Québec, is to promote the social economy and collective entrepreneurship. They foster concertation and partnership between local and regional social economy stakeholders in order to harmonize interventions and maximize their effects.

The Social Economy Project also aims—complementing the work of area organizations—to support the creation, consolidation and expansion of collective and social-economy businesses, the advancement of knowledge and research in the field.

Through their ties in their community, social-economy hubs contribute to reflections and discussions in order to better understand the dynamics of the various regions and target issues that are particular to each region.

[1] These hubs include a First Nations social-economy hub.

7.7 A plan to strengthen the Québec economy as an executive-driven economy

On February 21, 2017, the government presented its Plan to Strengthen the Québec Economy as an Executive-Driven Economy.

In the government's view, in order strengthen the Québec economy as an executive-driven economy, improving the economic and fiscal environment is a priority. This improvement has already begun with the implementation of the Québec Economic Plan.

Complementing these actions aimed at improving the economic environment, the Plan to Strengthen the Québec Economy as an Executive-Driven Economy provides for a number of measures totalling $337 million by 2021-2022.

TABLE B.51

Financial impact of measures in the Plan to Strengthen the Québec Economy as an Executive-Driven Economy
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Optimize the government's interventions and promote Québec's assets							
Creation of the Financial Initiative Group	—	—	—	—	—	—	—
Strengthen the strategic watch on the presence of head offices	—	—	—	—	—	—	—
Increase international action and promote Québec abroad	—	−2.0	−7.0	−12.0	−17.0	−22.0	−60.0
Promote business transfer and encourage business leaders to settle in Québec							
Tax relief for the transfer of family businesses in all sectors of the economy	−17.0	−52.0	−52.0	−52.0	−52.0	−52.0	−277.0
Deferral of the payment of income tax upon a deemed disposition of shares in a listed company	—	—	—	—	—	—	—
Harmonize taxation of share purchase options with the rest of Canada	—	—	—	—	—	—	—
Promote the use of current tools to protect against hostile takeover bids							
New Canadian regulations governing hostile takeover bids	—	—	—	—	—	—	—
Means of protection against hostile takeover bids	—	—	—	—	—	—	—
TOTAL	**−17.0**	**−54.0**	**−59.0**	**−64.0**	**−69.0**	**−74.0**	**−337.0**

7.7.1 Optimize the government's interventions and promote Québec's assets

The Plan to Strengthen the Québec Economy as an Executive-Driven Economy provides for three initiatives to optimize the government's interventions and promote Québec's assets, i.e.:

- the creation of the Financial Initiative Group;
- the strengthening of the strategic watch on the presence of head offices and control of businesses;
- additional means for promoting Québec as an ideal location for decision centres.

❑ The Financial Initiative Group to optimize government intervention

The government seeks to improve its capacity to act strategically in support of corporations and foster the emergence of new large companies in Québec.

To ensure that it has the necessary expertise and information at all times, the government is setting up the Financial Initiative Group, dedicated to the development in Québec of an executive-driven economy, and composed of representatives of major financial stakeholders.

The Financial Initiative Group's mandate will be to:

- monitor the evolution of the economic and financial context in Québec and the sale or hostile takeover bids of Québec businesses;
- determine the best ways of supporting the most promising businesses in their development;
- guide the government in its interventions aimed at providing financing that meets the financial needs of growing businesses;
- advise the government on the funding of investment capital for enterprises.

❑ Strengthen the strategic watch on the presence of head offices and control of businesses

To monitor the implementation of the measures of the Plan to Strengthen the Québec Economy as an Executive-Driven Economy, the government will set up an interdepartmental committee composed up of representatives of the Ministère des Finances, the Ministère de l'Économie, de la Science et de l'Innovation, and the Ministère du Conseil exécutif.

$60 million to increase international action and promote Québec

Québec has many assets for increasing the presence of head offices and decision centres in its territory. These assets must be better known in the rest of Canada and abroad.

To that end, the Québec Economic Plan provides for:

- strengthening Québec's international action;
- $5 million to enhance Investissement Québec's prospecting activities;
- $5 million to support regional development organizations.

Strengthen Québec's international action

In a highly competitive international context, Québec must find ways to compete globally. The success of Québec's large socioeconomic development initiatives, such as the Plan Nord, the Maritime Strategy, transportation electrification and carbon trading, is closely linked to activities involving representation, prospecting and cooperation around the world. These activities are crucial in attracting foreign investment and talented immigrants, and in forming partnerships that will result in significant economic spinoffs for Québec.

Therefore, the Québec Economic Plan provides for an investment of $100 million over five years for Québec's international activities. This ultimately means an increase of $30 million in annual appropriations from the Ministère des Relations internationales et de la Francophonie. For 2017-2018, the money will be paid out of the Ministère's envelope.

TABLE B.52

Additional support to strengthen Québec's international action
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Additional funding from the envelope of the Ministère des Relations internationales et de la Francophonie	—	10.0	10.0	10.0	10.0	10.0	50.0
Additional increase to the envelope as of 2018-2019	—	—	5.0	10.0	15.0	20.0	50.0
TOTAL	—	**10.0**	**15.0**	**20.0**	**25.0**	**30.0**	**100.0**

To strengthen international action, the focus will be placed on:

- making Québec more attractive and visible abroad;
- implementing the government's key international priorities;
- redeploying and enhancing Québec's diplomatic efforts;
- cooperating bilaterally and multilaterally;
- developing international solidarity.

- **Make Québec more attractive and visible abroad**

In conjunction with the Ministère de l'Éducation et de l'Enseignement supérieur, the strengthening of Québec's international action will attract more students to Québec. This will have a positive impact on Québec's economy, namely through job creation.

The new amounts will also make it possible to attract and support major international events related to government priorities, like the Québec-UNESCO Conference held this past fall.

- **Implement the government's key international priorities**

The investment announced will make it possible to:

- carry out productive activities under the Maritime Strategy;
- undertake activities that have a strong potential for spinoffs in transportation electrification;
- engage in international partnership projects to implement the Plan Nord;
- support research organizations as they collaborate internationally on research and innovation;
- provide support to more Québec artists and businesses abroad.

- **Redeploy and enhance Québec's diplomatic efforts**

Québec will be increasing its presence in certain countries and opening new offices in other countries in the coming years.

The redeployment of Québec's network of offices abroad began in 2015-2016 with the opening of offices in Dakar, Qingdao, Houston and Silicon Valley. The new offices that will be established will give Québec the ability to act on the world stage like never before. The redeployment is aimed at:

— consolidating Québec's position in the United States, which accounts for more than 70% of Québec's foreign exports;

— developing Québec's potential for action in Asia, the engine of global economic growth and a high potential region for attracting foreign students, investors and tourists;

— developing Québec's presence in parts of Africa, a continent that will experience strong population growth and enjoy a positive economic outlook in the years to come;

— strengthening Québec's presence and diversifying its areas for action in Europe, in order to help businesses take advantage of the Canada-European Union Comprehensive Economic and Trade Agreement and better position Québec to promote its large initiatives;

— increasing our presence in the opportunity-rich markets of South America and the Caribbean, where Québec is currently underrepresented.

- **Cooperate bilaterally and multilaterally**

Since 2008, 2 000 French nationals have been able to work in Québec through mutual recognition agreements, thereby helping to meet specialized labour needs.

— Québec can build on the success of its collaboration with France in terms of recognizing professional qualifications to develop new mobility projects, namely with certain European and North African countries.

Moreover, resources will be added for Québec's Francophone and Multilateral Affairs Delegation in Paris and Québec's presence as a member of the Permanent Delegation of Canada to UNESCO. This will include more closely monitoring the work of one of the world's most influential international organizations performing analyses and developing economic policies, the Organisation for Economic Co-operation and Development (OECD).

- **Develop international solidarity**

In terms of international solidarity, Québec will be able to support more projects in the disadvantaged countries of French-speaking Africa, Latin America and the Caribbean.

— In addition, the disaster relief program will be enhanced to better support victims of natural disasters and humanitarian crises, especially in the most vulnerable countries.

■ $5 million to enhance Investissement Québec's prospecting activities

The government will grant $5 million to Investissement Québec over five years to enhance its prospecting work with companies located outside Québec. The additional support will, among other things, aim to:

— enhance its promotional strategy to promote the advantages of Québec as a choice head office location;

— engage in more prospecting with foreign businesses and investment funds to present the advantages of Québec as a place for establishing head offices;

— foster coordination of the actions of Investissement Québec with Québec International and Montréal International.

■ $5 million to support regional development organizations

Additional support of $3.5 million over five years for Montréal International and $1.5 million over five years for Québec International for their respective regions to:

— institute a promotional strategy for the advantages of Montréal and Québec as suitable locations for establishing head offices;

— engage in more prospecting and strategic support missions to support companies outside Québec in plans to establish head offices in Montréal and Québec;

— increase the targeting, qualification and prospecting of businesses.

- **$60 million to increase international action and promote Québec**

An additional appropriation of $10 million will go to the Ministère de l'Économie, de la Science et de l'Innovation and $50 million will go to the Ministère des Relations internationales et de la Francophonie for the next five years. The amounts awarded to the Ministère de l'Économie, de la Science et de l'Innovation for 2017-2018 will be paid out of the Contingency Fund.

TABLE B.53

Financial impact of additional means for increasing international action and promoting Québec
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Strengthen Québec's international action	—	−10.0	−15.0	−20.0	−25.0	−30.0	−100.0
Additional funding from the envelope of the Ministère des Relations internationales et de la Francophonie	—	10.0	10.0	10.0	10.0	10.0	50.0
Enhance Investissement Québec's prospecting activities	—	−1.0	−1.0	−1.0	−1.0	−1.0	−5.0
Support regional development organizations							
– Montréal International	—	−0.7	−0.7	−0.7	−0.7	−0.7	−3.5
– Québec International	—	−0.3	−0.3	−0.3	−0.3	−0.3	−1.5
TOTAL	—	**−2.0**	**−7.0**	**−12.0**	**−17.0**	**−22.0**	**−60.0**

7.7.2 Promote business transfer and encourage leaders to settle in Québec

As part of the Plan to Strengthen the Québec Economy as an Executive-Driven Economy, the government announced tax measures to promote the transfer of businesses and encourage corporate executives to move to Québec.

❑ Additional assistance to streamline the transfer of family businesses

One challenge associated with passing on a family business is keeping the owners or heirs from having to give up some or all of their business due to a lack of liquidity to pay their tax obligations. To tackle this challenge, the government is instituting two tax measures:

- tax relief for the transfer of family businesses in all sectors of the economy;
- deferral of the payment of income tax upon a deemed disposition of shares in a listed company.

■ Tax relief for the transfer of family businesses in all sectors of the economy

Under *The Québec Economic Plan – March 2016*, the government allowed entrepreneurs who were selling to someone with a non-arm's length relationship to enjoy the same capital gains tax treatment as available for transactions between unrelated parties.

- However, the relief was restricted to transactions involving businesses in the primary and manufacturing sectors.

The government is extending this relief to non-arms' length transactions involving businesses in the service and construction sectors. It applies retroactively to March 18, 2016.

- All sectors of the economy now have access to this measure.

The measure represents a $17 million tax relief in 2016-2017 and $52 million a year as of 2017-2018 for owners of the targeted SMEs.

TABLE B.54

Financial impact of expanding the tax relief for the transfer of family businesses
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Expanded tax relief for the transfer of family businesses	−17.0	−52.0	−52.0	−52.0	−52.0	−52.0	−277.0

■ Deferral of the payment of income tax upon a deemed disposition of shares in a listed company

The tax payable on capital gains upon a deemed disposition of assets, such as corporate shares, can trigger a shortage of liquidity that can force the sale of blocks of shares and jeopardize some companies' presence in Québec.

— The income tax payable in Québec and federally can represent up to 26.7% of the capital gain.

The lack of liquidity stems from the fact that, with a deemed disposition, there is no cash inflow, as occurs with an actual sale.

To resolve this issue, the government has introduced a deferral for the payment of income tax on capital gains on a deemed disposition of shares in a listed company which will make it possible to defer the tax payment for 20 years as long as the shares are not sold and the eligibility criteria are met.

To be eligible for the tax deferral, the individual or trust must:

— hold a number of shares that, at a minimum, represents a blocking minority of a listed company;

— deposit collateral representing a minimum of 120% of the deferred income tax amount at all times.

To remain eligible for the deferral, the corporation must also be headquartered in Québec and maintain an average payroll over a three-year period of at least 75% of the Québec payroll observed in the taxation year in which the deemed disposition occurred.

This measure does not generate any costs for the government due to the value of the assets held as collateral.

❑ Harmonization of taxation on stock options

Developing an executive-driven economy requires a fiscal environment that encourages business leaders to stay in or come to Québec.

Since 2003, Québec had taxed income from stock options more heavily than the other Canadian provinces.

— Aside from innovative SMBs, the deduction rate for this type of income is 25% in Québec, compared with 50% in the rest of Canada.

Last February, the government eliminated the gap between Québec taxation and that of other provinces for businesses listed on the stock market with Québec payrolls of $10 million or more.

The additional cost of the tax benefit granted should be offset by the additional tax revenues from income tax produced by the measure's incentive effect.

7.7.3 Promote the use of existing tools to protect against hostile public takeovers

In the regulatory arena, the government plans to rely on existing legal tools so that businesses listed on the stock market can react in the event of a hostile public takeover bid.

Hostile takeovers of public businesses—businesses listed on the stock market—are relatively rare in Québec. However, such situations can occur.

☐ New regulations that came into effect in May 2016

As a result of consultations conducted by the Canadian Securities Administrators, including Autorité des marchés financiers in Québec, the administrators have agreed to adopt a harmonized Canadian regime to govern hostile takeover bids.

- The Québec government approved the new regulations, which came into effect in May 2016.

Since then, the boards of businesses listed on the stock market have had more leeway in the event of hostile public takeover bids.

The government believes that the legal tools currently available are adequate and therefore has no plans to make any immediate amendments to Québec regulations to govern hostile public takeover bids.

☐ Promote the legal tools currently available to executives

Means currently exist to protect businesses listed on the stock market from hostile public takeover bids.

To capitalize on the tools available, Investissement Québec will henceforth help entrepreneurs to define their protection strategy.

To do so, Investissement Québec will raise awareness among businesses that choose to make a public offering of the various means for protecting from hostile takeovers, such as:

- using multiple vote shares;
- adopting arrangements that reduce the monetary incentive for management to conclude a sale transaction;
- awarding shares to employees as compensation.

7.7.4 The presence of head offices and corporate control: many positive findings

The plan to have the Québec economy be more executive driven is based on stringent economic analysis. That analysis yielded a variety of findings on head offices and Québec-controlled businesses, with a number of positive highlights:

- The proportion of Québec head offices exceeds its economic weight in Canada;
- Québec's economy benefits from more acquisitions of foreign businesses than sales of local businesses to foreign interests;
- Québec has a dynamic economy that can generate and grow new businesses, then ensure they develop into large corporations.

❑ Head offices: Québec stands out in Canada

Québec stands out among the other Canadian provinces with respect to the presence of head offices in its territory and the allied jobs.

- In 2015, Québec had 562 head offices representing 53 049 jobs, putting it in second place among the Canadian provinces.

The proportion of head offices located in Québec, and the jobs associated with them, exceeds Québec's economic weight.

- Québec had 20.6% of Canadian head offices and 23.1% of head office jobs in 2015, while its weight in Canada's economy is 19.2%.

❑ A positive balance of transactions for businesses headquartered in Québec

The available data shows that Québec businesses tend to be the predators rather than the prey.

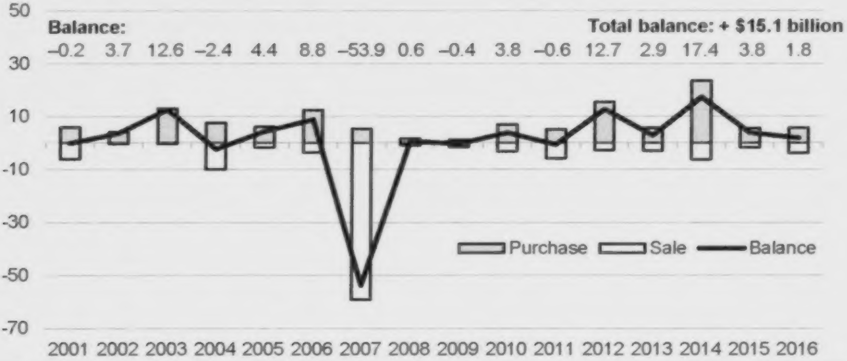
— Between 2001 and 2016, twice as many foreign businesses were acquired by businesses headquartered in Québec than the reverse, i.e. 502 purchases compared with 244 sales.

In the same period, Québec's economy recorded a positive balance of $15.1 billion, corresponding to the difference between the value of foreign acquisitions by Québec businesses and the value of the sale of Québec businesses to foreign corporations.

— More recently, i.e. in the last five years, the positive balance was $38.6 billion, with 173 purchases and 71 sales totalling $55.9 billion and $17.3 billion respectively.

GRAPH B.2

Evolution of transactions involving a Québec and a non-Québec business
(billions of dollars)



Note: Finalized transactions with an announced value greater than $5 million. Totals may not add due to rounding.
Source: Bloomberg, compiled by the Ministère des Finances du Québec.

☐ Entrepreneurial vitality that assures the renewal of Québec's large businesses

The ability of Québec entrepreneurship to refresh its stock of large businesses is a key factor in the presence of head offices in Québec and the vitality of Québec's economy.

The data shows that Québec's economy is dynamic; it can create new businesses with high growth potential, and ensure they develop into large businesses.

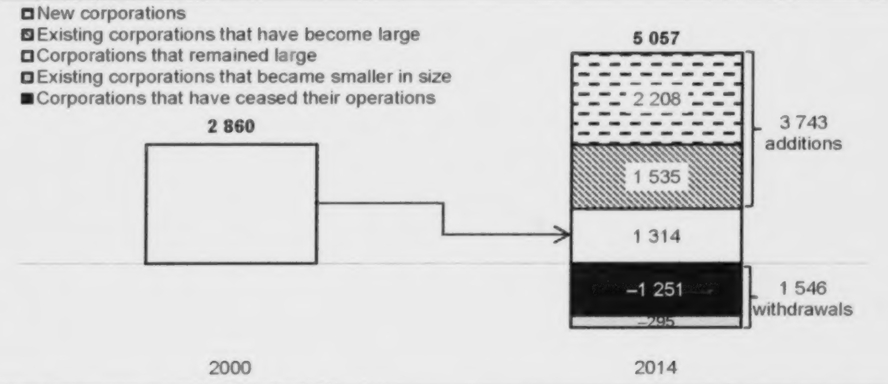
- In fact, the number of large businesses in Québec increased from 2 860 to 5 057 between 2000 and 2014.

This observation is strengthened by a major expansion among corporations, as 3 743 companies became large businesses during this time, while 1 546 companies left those ranks.

- For every company that left the ranks of large businesses, more than two others joined.

GRAPH B.3

Increase in the number of large businesses due to the dynamic Québec economy
(number of corporations)



Note: A corporation is considered large if it has assets or revenues of $50 million or more.
Source: Revenu Québec, compiled by the Ministère des Finances du Québec.

8. MEETING THE NEEDS OF THE LABOUR FORCE

The Québec labour market is currently booming, with the lowest unemployment rate in 40 years.

— From January to December 2016, 90 800 jobs were created in Québec, for the strongest job creation in absolute value in Canada. Québec is now ahead of Ontario and British Columbia.

To maintain this pace, a number of challenges need to be addressed. It will be important to ensure that:

— available jobs are filled by the appropriate candidates and that the upcoming generation of workers undergo training that offers excellent opportunities for the future;

— available training meets the needs of businesses and addresses regional realities;

— every individual's skills are acknowledged at their fair value.

In this context, the government held the Rendez-vous national sur la main-d'œuvre in February 2017, attended by Québec labour market representatives.

The Rendez-vous made it possible for various stakeholders to share their experience and expertise to determine which potential actions would better meet the needs of the labour market today and tomorrow.

❑ Investments of close to $290 million to meet labour force needs

The government responds favourably to actions proposed during the Rendez-vous national sur la main-d'œuvre as a means of ensuring a dynamic, balanced and efficient labour market in Québec.

To this end, the Québec Economic Plan provides for measures totalling nearly $290 million over five years with the objective of promoting the development of the Québec labour force. In particular, these amounts will allow for:

- — promoting trades that are in demand;
- — helping businesses with the management of their labour force;
- — supporting further labour market integration for immigrants;
- — supporting continuing education and development of worker skills.

TABLE B.55

Financial impact of the measures designed to meet labour force needs
(millions of dollars)

	2016-2017	**2017-2018**	**2018-2019**	**2019-2020**	**2020-2021**	**2021-2022**	**Total**
Promoting trades in demand	—	−2.0	−2.0	−2.0	−2.0	−2.0	−10.0
Helping businesses with the management of their labour force	—	−5.4	−5.5	−5.5	−5.5	−5.5	−27.4
Supporting labour market integration for immigrants	—	−25.7	−34.2	−36.5	−40.0	−43.0	−179.4
Support for continuing education and development of worker skills	—	−11.0	−13.0	−16.0	−16.0	−16.0	−72.0
Subtotal	**—**	**−44.1**	**−54.7**	**−60.0**	**−63.5**	**−66.5**	**−288.8**
Measures funded as part of the plan *A plan for success: a lifelong process from early childhood*	—	16.8	19.3	23.3	23.8	23.8	107.0
TOTAL	**—**	**−27.3**	**−35.4**	**−36.7**	**−39.7**	**−42.7**	**−181.8**

Rendez-vous national sur la main-d'œuvre

The Rendez-vous national sur la main-d'œuvre, which gave voice to union partners, the business community, education and training sector, as well as other labour market stakeholders, led to progress in the mobilization efforts focused on meeting the challenges facing Québec's labour market.

- This event was consistent with the initiatives already introduced in the Québec Economic Plan and the opportunities created on November 10, 2016, when the *Act to allow a better match between training and jobs and to facilitate labour market entry* received assent.

Potential avenues were identified on the basis of discussions held during the Rendez-vous national sur la main-d'œuvre, and some were introduced right away as part of *The Québec Economic Plan – March 2017*.

In addition, the government intends to ensure, in particular:

- greater support to help businesses manage diversity and human resources;
- broader access to part-time training and gender diversity in this particular area;
- increased ability to start up study programs that are strategic for regional development;
- greater ease in adapting study programs;
- targeted amendment of the *Act respecting labour standards* to better reflect workplace changes;
- simpler and sustained support to help Québec businesses hire and retain a diversified labour force;
- single point of access to Francization services.

A follow-up mechanism will be set up to ensure ongoing discussions and to identify the skills and qualifications that the Québec labour force will need in upcoming years.

8.1 $10 million to promote trades in demand

A greater balance between labour force supply and demand is contingent on disseminating and making greater use of labour market data. This favours sound decision-making as regards to employment, particularly for youth about to integrate the labour market.

It is critical that youth and other available workers be well-versed as to trades and professions where workers are scarce, as this will help them make better training and educational choices.

In this context, the Québec Economic Plan provides for $10 million over the next five years for:

— launching a promotional strategy, targeting youth and workers undergoing a career change, on quality trades and professions with a shortage of workers;

— reinforcing youth academic and professional choices by giving them a better access to all of the necessary information on career opportunities.

Additional appropriations of $1.2 million per year will be granted to the Ministère du Travail, de l'Emploi et de la Solidarité sociale for the period from 2017-2018 to 2021-2022, for the purpose of actively promoting the trades and professions with a scarcity of workers. The amounts for 2017-2018 will be drawn from the Contingency Fund.

Additional appropriations of $0.8 million per year for the years 2017-2018 to 2021-2022 will be granted to the Ministère de l'Éducation et de l'Enseignement supérieur to further support the academic and professional orientation of youth.

TABLE B.56

Financial impact of the measures designed to promote trades that are in demand
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Actively promoting the trades and professions where workers are in demand	—	−1.2	−1.2	−1.2	−1.2	−1.2	−6.0
Reinforcing youth academic and professional choices	—	−0.8	−0.8	−0.8	−0.8	−0.8	−4.0
TOTAL	**—**	**−2.0**	**−2.0**	**−2.0**	**−2.0**	**−2.0**	**−10.0**

8.2 $27 million to help businesses with the management of their labour force

Given that the Québec labour market's need for qualified workers will grow moving forward, it is critical that all Quebecers make full use of their skills in this regard. Businesses must have the necessary tools to effectively manage their labour force, in particular when it comes to recruiting and retaining qualified workers from diversified labour pools.

As a result, the Québec Economic Plan provides for an amount of $27.4 million over five years to:

- help companies hire, integrate and retain workers, particularly those from diversified labour pools;
- promote better labour market integration for women.

TABLE B.57

Financial impact of the measures designed to help businesses with the management of their labour force
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Help companies hire, integrate and retain workers							
Help businesses with the management of a diverse labour force	—	−0.5	−0.5	−0.5	−0.5	−0.5	−2.5
Support program for the application of labour standards	—	—	—	—	—	—	—
Support for the hiring of individuals with disabilities by adapted businesses	—	−2.0	−2.0	−2.0	−2.0	−2.0	−10.0
Support for businesses to further develop the skills of qualified workers	—	−2.0	−2.0	−2.0	−2.0	−2.0	−10.0
Increase in the activities of the Workplace Apprenticeship Program	—	−0.5	−0.5	−0.5	−0.5	−0.5	−2.5
Subtotal	**—**	**−5.0**	**−5.0**	**−5.0**	**−5.0**	**−5.0**	**−25.0**
Promote better labour market integration for women							
Initiatives to increase the number of women workers in promising sectors and to promote labour gender diversity	—	−0.3	−0.3	−0.3	−0.3	−0.3	−1.5
Promote the socio-professional integration of immigrant women	—	−0.1	−0.2	−0.2	−0.2	−0.2	−0.9
Subtotal	**—**	**−0.4**	**−0.5**	**−0.5**	**−0.5**	**−0.5**	**−2.4**
TOTAL	**—**	**−5.4**	**−5.5**	**−5.5**	**−5.5**	**−5.5**	**−27.4**

8.2.1 $25 million to help companies hire, integrate and retain workers

Targeted and relevant support for businesses plays a role in the success of labour force integration and retention.

To this end, the Québec Economic Plan provides for measures totalling $25 million over five years to:

- help Québec businesses with the management of a diverse labour force;
- create a support program for the application of labour standards;
- support the hiring of individuals with disabilities by adapted businesses;
- help businesses further develop the skills of qualified workers;
- increase in the activities of the Workplace Apprenticeship Program.

☐ Help Québec businesses in the management of a diverse labour force

To support the efforts of Québec businesses in integrating workers from diversified labour pools, Emploi-Québec will increase its support to a diverse labour force management.

- Business services, especially support for the recruitment and placement of workers from groups underrepresented on the labour market will be increased, which will allow businesses to identify the candidates that best meet their needs and thus promote their ongoing employment.

To this end, additional appropriations of $2.5 million, or $0.5 million per year will be granted to the Ministère du Travail, de l'Emploi et de la Solidarité sociale for the period from 2017-2018 to 2021-2022. For 2017-2018, the amounts will be drawn from the Contingency Fund.

☐ Support program for the application of labour standards

While there currently exist numerous initiatives for valuing work and promoting the full participation and integration of all available workers, the government take extra steps to ensure that all available jobs meet Québec labour standards.

In this regard, for purposes of raising business' awareness and fostering the application of labour standards, the Québec Economic Plan includes a new support program for employer associations, which will be managed by the Commission des normes, de l'équité, de la santé et de la sécurité du travail (CNESST).

The CNESST will receive $1 million per year in funding for a period of three years for the support program's implementation.

☐ Support for the hiring of individuals with disabilities by adapted businesses

Improved labour force integration of individuals with disabilities ensures a better standard of living and promotes social inclusion.

The Québec Economic Plan has therefore set aside an additional $10 million over a five-year period for the adapted businesses subsidy program.

- This increased funding will allow for subsidizing a greater number of adapted positions and thereby support the growth of adapted businesses.

To this end, additional appropriations of $2 million per year will be granted to the Ministère du Travail, de l'Emploi et de la Solidarité sociale for the period from 2017-2018 to 2021-2022.

Subsidy program for adapted businesses

Adapted businesses are non-profit organizations or co-operatives that ensure the labour market integration of individuals with disabilities.

The objectives of the subsidy program for adapted businesses are to:

- create quality jobs adapted to the needs of individuals with disabilities who are able to work but cannot integrate a regular workplace;
- develop the employability of those individuals to foster a transition to regular employment for those individuals with the required capabilities.

☐ Support for businesses to further develop the skills of their workers

The Québec Economic Plan provides for a $10-million investment over five years to help businesses develop the skills of their qualified workers.

With this funding, Emploi-Québec will support businesses in their training initiatives specifically developed to help them further enhance the skills of existing workers with potential. These workers will enjoy improved career opportunities and contribute further to the ongoing growth of their organizations.

To this end, additional appropriations of $2 million per year will be granted to the Ministère du Travail, de l'Emploi et de la Solidarité sociale for the period from 2017-2018 to 2021-2022.

☐ Increase in the activities of the Workplace Apprenticeship Program

The Workplace Apprenticeship Program supports the training of approximately 6 000 workers annually, by allowing persons with no qualifications to obtain an employer-recognized certification and quickly apply their new knowledge or skills.

The Québec Economic Plan provides for $2.5 million over five years so that more people earn qualifications and more businesses can benefit from this expertise.

— Therefore, nearly 900 additional workers will be able to benefit from the Workplace Apprenticeship Program each year.

To that end, the government will allocate an additional $0.5 million per year in appropriations to the Ministère du Travail, de l'Emploi et de la Solidarité sociale from 2017-2018 to 2021-2022. The amounts for 2017-2018 will be drawn from the Contingency Fund.

Workplace Apprenticeship Program

The Workplace Apprenticeship Program is an industry training program where an experienced and qualified individual supports less experienced workers as they develop and acquire the skills necessary to comply with recognized professional standards or requirements.

The certificate obtained by participants in the Workplace Apprenticeship Program allows them to practise some 40 trades. These positions include:

- home support worker;
- cook, fishmonger or baker;
- structural wiring technician.

8.2.2 $2.4 million to promote better labour market integration for women

The progression of women into the labour market, particularly in traditionally male fields, must continue. Moreover, the contribution of women from all backgrounds to the labour market must be further emphasized.

To this end, the Québec Economic Plan includes an additional amount of $2.4 million, over five years, in order to:

- increase the number of women working in promising sectors and promote gender diversity;
- promote the socio-professional integration of immigrant women on the labour market.

☐ Initiatives to increase the number of women workers in promising sectors and to promote labour gender diversity

The Québec Economic Plan provides for an amount of $1.5 million over five years to implement actions designed to ensure that women benefit from job opportunities ensuing the Québec Economic Plan's sectoral strategies.

Initiatives will also be introduced to increase young women's interest in the jobs of the future.

To this end, additional appropriations of $0.3 million per year will be granted to the Ministère de l'Économie, de la Science et de l'Innovation for the period from 2017-2018 to 2021-2022. The amounts for 2017-2018 will be drawn from the Contingency Fund.

☐ Promote the socio-professional integration of immigrant women

Immigrant women must be able to acquire the knowledge necessary to benefit from opportunities in Québec, in particular with regard to the labour market.

To that end, activities for immigrant women will be organized by organizations in various regions. These activities will make it possible to better disseminate information to immigrant women, in particular on the laws and regulations in force concerning work conditions as well as labour market opportunities.

To do so, the Ministère de l'Économie, de la Science et de l'Innovation will be granted additional appropriations of $0.1 million in 2017-2018 and $0.2 million per year for the period from 2018-2019 to 2021-2022. The amounts for 2017-2018 will be drawn from the Contingency Fund.

8.3 $179 million to support labour market integration for immigrants

For Québec, immigrants represent a labour pool that is critical to address demographic changes and support economic growth. These individuals contribute diverse skills, knowledge and entrepreneurial possibilities, which benefit all of Québec.

To help Québec stand out and increase its attractiveness to attract top-quality foreign candidates and to ensure their retention, the Québec Economic Plan provides for major initiatives, totalling $179.4 million over five years, in order to:

- contribute to the acquisition of work experience in Québec by foreign candidates;
- implement a strategy to attract international students;
- improve access to francization for immigrants;
- promote the recognition of acquired competence and skills.

TABLE B.58

Financial impact of the measures supporting labour market integration for immigrants
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Contribute to the acquisition of work experience in Québec	—	−4.2	−5.7	−7.0	−10.0	−13.0	−39.9
Implement a strategy to attract international students	—	−1.5	−2.0	−3.0	−3.5	−3.5	−13.5
Improve access to francization for immigrants	—	−15.5	−22.0	−22.0	−22.0	−22.0	−103.5
Promote the recognition of acquired comptence and skills	—	−4.5	−4.5	−4.5	−4.5	−4.5	−22.5
TOTAL	**—**	**−25.7**	**−34.2**	**−36.5**	**−40.0**	**−43.0**	**−179.4**

8.3.1 $40 million to contribute to the acquisition of work experience in Québec

Immigrants must have the means to acquire work experience in Québec. In addition to contributing to their professional development, this experience will also facilitate a better integration into Québec society.

To this end, the Québec Economic Plan provides for $39.9 million over five years to focus on:

- enhancing the Employment Integration Program for Immigrants and Visible Minorities (PRIIME);
- enhancing the Interconnexion program created by the Chamber of Commerce of Metropolitan Montréal;
- promoting regional entrepreneurship among immigrants.

TABLE B.59

Financial impact of the measures to contribute to the acquisition of work experience in Québec
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Enhancing PRIIME	—	−2.0	−3.5	−5.0	−8.0	−11.0	−29.5
Enhancing the Interconnexion program	—	−2.0	−2.0	−2.0	−2.0	−2.0	−10.0
Promoting regional entrepreneurship among immigrants	—	−0.2	−0.2	—	—	—	−0.4
TOTAL	**—**	**−4.2**	**−5.7**	**−7.0**	**−10.0**	**−13.0**	**−39.9**

☐ Enhancing PRIIME

PRIIME offers financial support to businesses that hire immigrants or visible minorities.

Close to 1 200 people participated in PRIIME in 2015-2016, and nearly 90% of them obtained a full-time job thereafter.

In this respect, the Québec Economic Plan provides for an additional $29.5 million over five year for the PRIIME. This extra funding seeks to generate an approximate 20% increase in the number of program participants and to help businesses welcome and integrate candidates with good potential.

To this end, additional appropriations of $2 million in 2017-2018, $3.5 million in 2018-2019, $5 million in 2019-2020, $8 million in 2020-2021 and $11 million in 2021-2022 will be granted to the Ministère du Travail, de l'Emploi et de la Solidarité sociale.

☐ Enhancing the Interconnexion program

The labour market integration of newcomers is essential, particularly to Montréal, which is home to over 85% of Québec's immigrants.

For this purpose, the Interconnexion program created by the Chamber of Commerce of Metropolitan Montréal aims to promote the professional integration of newly arrived qualified immigrants by facilitating their exchanges with Montréal organizations.

To this end, the Québec Economic Plan provides additional funding of $10 million over the next five years.

The program, based on a buddy system that includes activities such as internships, networking and mentoring opportunities, meets the needs of both businesses and immigrants.

— To date, over 5 000 immigrants and more than 1 000 businesses have taken part in the program.

— The program's enhancement will allow an increase in the number of newly arrived immigrants able to exchange with employers in various activity sectors from 1 000 to 3 000 annually.

— In addition, the Chamber of Commerce of Metropolitan Montréal will share its expertise with the Chamber of Commerce and Industry of Laval and Québec International to apply a similar approach.

To this end, additional appropriations of $10 million, or $2 million per year will be granted to the Ministère du l'Immigration, de la Diversité et de l'Inclusion for the period from 2017-2018 to 2021-2022. For 2017-2018, the amounts will be drawn from the Contingency Fund.

☐ Promoting regional entrepreneurship among immigrants

Québec's regions offer numerous job opportunities and entrepreneurial possibilities, particularly for immigrants.

To this end, the Québec Economic Plan provides $0.4 million over the next two years to support a project encouraging young immigrant entrepreneurs to settle in Québec's regions.

This project, supported by the Regroupement des jeunes chambres de commerce du Québec, holds trade missions in ten regions of special interest, thereby allowing young immigrant entrepreneurs to learn more about the region and possible businesses opportunities.

To this end, additional appropriations of $0.2 million will be granted to the Ministère de l'Immigration, de la Diversité et de l'Inclusion in 2017-2018 and 2018-2019, to fund the initiative of the Regroupement des jeunes chambres de commerce du Québec. The amounts for 2017-2018 will be drawn from the Contingency Fund.

8.3.2 Implement a strategy to attract international students

A well-trained and qualified labour force is a critical factor when attempting to incite organizations and businesses to set up in Québec. Attracting and retaining international students is an important way to meet labour market demand. In this regard, Montréal is ranked the best university city in the world[11].

To draw more benefits from this, the Québec Economic Plan provides for an amount of $13.5 million over five years to implement a strategy to promote Québec's academic offer internationally and increase the number of international students coming to study in Québec's various regions.

The current strategy seeks to promote the attraction and oversight of international students.

To implement the strategy, additional appropriations of $1.5 million in 2017-2018, $2 million in 2018-2019, $3 million in 2019-2020 and $3.5 million in 2020-2021 and in 2021-2022 will be granted to the Ministère de l'Éducation et de l'Enseignement supérieur.

8.3.3 $104 million to improve access to francization for immigrants

For many Quebecers of foreign origin, mastering French represents a challenge to their integration to the labour market. Improved access to francization services is key to perfect their knowledge of the language and more easily master French.

To that end, the Québec Economic Plan provides for $103.5 million over the next five years, for the purpose of:

- encouraging full-time enrollment of immigrants in French courses;
- enhancing support for francization efforts in the workplace.

TABLE B.60

Financial impact of the measures to improve access to francization for immigrants
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Encouraging full-time enrollment in French courses	—	−13.5	−20.0	−20.0	−20.0	−20.0	−93.5
Enhancing support for francization efforts in the workplace	—	−2.0	−2.0	−2.0	−2.0	−2.0	−10.0
TOTAL	**—**	**−15.5**	**−22.0**	**−22.0**	**−22.0**	**−22.0**	**−103.5**

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[11] According to 2017 rankings by the British agency Quacquarelli Symonds.

☐ Encouraging full-time enrollment in French courses

The government wishes to encourage French learning by immigrants so these individuals are better prepared to join the labour market and develop professionally.

In this respect, the Québec Economic Plan provides for $93.5 million to encourage full-time enrollment of immigrants in French courses.

■ Increase in the weekly amount paid to students who take full-time French courses

The Québec Ministère de l'Immigration, de la Diversité et de l'Inclusion offers full-time French courses to newly-arrived immigrants.

In addition, these immigrant individuals who attend full-time courses receive a weekly allocation of $115.

In this respect, the Québec Economic Plan therefore plans to increase the weekly allocation for full-time French courses by more than 20% to $140, effective at the start of the fall 2017 school year.

■ Standardization of the participation allocation

School boards also offer French courses to immigrants. However, these students usually do not receive a participation allocation for full-time French courses.

To remedy this inequity, the Québec Economic Plan will extend the $140 weekly participation allocation to immigrant students of school boards who attend full-time French courses.

■ Create a single government window for access to francization services

Because several government stakeholders are involved in the francization offer, their actions need to be coordinated in order to facilitate the process for immigrants who wish to improve their knowledge of French.

The Ministère de l'Immigration, de la Diversité et de l'Inclusion will become the gateway to guide applicants through this process. The Québec Economic Plan provides for $500 000 in 2017-2018 for a feasibility study on the implementation of a single government window for access to francization services.

To increase and standardize the participation allocation and conduct a feasibility study on the implementation of a single government window, additional appropriations of $13.5 million will be allocated in 2017-2018, followed by $20 million in subsequent years, to the Ministère de l'Immigration, de la Diversité et de l'Inclusion.

☐ Enhancing support for francization efforts in the workplace

The government wishes to increase its offer of francization services to employers and workers. To this effect, the Québec Economic Plan provides for an additional $10 million over five years to help workers learn French at a level that will allow them to better meet the requirements of their job.

- This enhancement will enable Emploi-Québec to intensify its intervention with small businesses, in particular to provide access to personalized workplace training.

To this end, additional appropriations of $2 million per year will be granted to the Ministère du Travail, de l'Emploi et de la Solidarité sociale for the period from 2017-2018 to 2021-2022.

8.3.4 $23 million to promote the recognition of acquired competence and skills

The government will take steps to ensure that everyone's skills and competence are duly recognized in order to promote more rapid integration in the labour market and minimize situations where candidates are overqualified for their jobs.

In this context, the Québec Economic Plan provides for a $22.5 million envelope over the next five years to:

- create a single window for recognition of competence and skills in Québec;
- develop tools to improve recognition of competence and skills.

TABLE B.61

Financial impact of the measures to promote the recognition of acquired competence and skills
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Creating a single window for recognition of competence and skills in Québec	—	−1.0	−1.0	−1.0	−1.0	−1.0	−5.0
Developing tools to improve recognition of competence and skills	—	−3.5	−3.5	−3.5	−3.5	−3.5	−17.5
TOTAL	**—**	**−4.5**	**−4.5**	**−4.5**	**−4.5**	**−4.5**	**−22.5**

☐ Create a single window for recognition of competence and skills in Québec

The government wishes to facilitate the process for foreign graduates of having their competence and skills recognized.The Québec Economic Plan provides for $5 million for the creation of a single window for competence and skills recognition.

This window will guide individuals, in particular immigrants, to the establishment best able to support them throughout the process of having their competence and skills recognized.

To this end, additional appropriations of $1 million will be granted to the Ministère de l'Immigration, de la Diversité et de l'Inclusion each year from 2017-2018 to 2021-2022.

☐ Develop tools to improve recognition of competence and skills

Recognition of competence and skills, in particular for immigrants, can be very complex depending on the applicant's field of study and diverse experience. The process involves an analysis that requires innovative practices such as the development of distance training tools and the creation of an Internet platform.

The Québec Economic Plan provides for $17.5 million by 2021-2022 to accelerate the recognition process of the competence and skills of immigrants.

The proposed new resources will help accelerate the actions of teaching establishments to improve the employability of persons with foreign experience or degrees.

To this end, additional appropriations of $3.5 million a year for 2017-2018 to 2021-2022 will be allocated to the Ministère de l'Éducation et de l'Enseignement supérieur.

8.4 $72 million to support continuing education and development of worker skills

Workforce training and development are essential for businesses in order to have qualified workers as work methods or technologies continue to evolve.

Facilitating access to various training activities and supporting a learning culture is also beneficial for workers, to help them continue to develop their skills throughout their working life.

To this end, the Québec Economic Plan provides for $72 million over the next five years to:

- encourage access to part-time vocational and technical studies;
- increase access to continuing education and refresher training.

TABLE B.62

Financial impact of the measures to support continuing education and development of worker skills
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Encouraging access to part-time vocational and technical studies	—	–5.5	–7.0	–8.0	–8.0	–8.0	–36.5
Increasing access to continuing education and refresher training	—	–5.5	–6.0	–8.0	–8.0	–8.0	–35.5
TOTAL	**—**	**–11.0**	**–13.0**	**–16.0**	**–16.0**	**–16.0**	**–72.0**

8.4.1 Encourage access to part-time vocational and technical studies

Studying part-time is often the best way for workers to expand their knowledge and for many young people to pursue their studies while acquiring work skills.

With this in mind, the Québec Economic Plan provides for support of $36.5 million over five years to provide better access to vocational and technical training, by reducing tuition fees associated with part-time studies.

Better access to training, in particular vocational and technical training, will contribute to the economic vitality of sectors affected by labour shortages.

In this context, additional appropriations of $5.5 million in 2017-2018, $7 million in 2018-2019, and $8 million per year for the next three years will be allocated to the Ministère de l'Éducation et de l'Enseignement supérieur.

8.4.2 Increase access to continuing education and refresher training

The demand by businesses for short-term training courses offered by CEGEPs and school boards that lead to an Attestation of collegial studies and vocational studies has been on the rise for many years.

The Québec Economic Plan is responding by allocating additional resources of $35.5 million over five years.

— This allocation will enable CEGEPs and school boards to increase the continuing education offer in all Québec regions in order to better meet the training needs of businesses.

The main advantage of these short-term training courses is their flexibility, which allows for the dissemination of programs that are adapted to different regional contexts as well as to specific clienteles.

To accomplish this, additional appropriations of $5.5 million in 2017-2018, $6 million in 2018-2019, and $8 million per year for the next three years will be granted to the Ministère de l'Éducation et de l'Enseignement supérieur.

9. ENCOURAGE BUSINESS INVESTMENT

To increase their presence on international markets, Québec businesses must invest to modernize, increase their productivity and develop new production capacities. To do so, they need an economic environment that provides them with the cash they need to carry out their structuring projects.

To encourage business investment, the Québec Economic Plan calls for:

- An additional 35% deduction in the capital cost allowance to encourage business transition to digital technology;
- the extension of the tax holiday for large investment projects until December 31, 2020.

These measures are a complement to initiatives in place to encourage business investments, including:

- a rebate on electricity to promote investments by manufacturing and natural resource development companies;
- general application measures to reduce the tax burden of businesses.

TABLE B.63

Financial impact of the measures to encourage business investment
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Additional 35% deduction in the capital cost allowance to encourage business transition to digital technology	—	−20.0	−56.0	−59.0	−26.0	−4.0	−165.0
Extension of the tax holiday for large investment projects	—	—	—	—	—	—	—
TOTAL	**—**	**−20.0**	**−56.0**	**−59.0**	**−26.0**	**−4.0**	**−165.0**

9.1 An additional 35% deduction in the capital cost allowance to encourage business transition to digital technology

Québec businesses, including those in the manufacturing sector, are faced with an industrial revolution that forces businesses to come up with new ways of doing things. They must change the way they organize their production chains by creating intelligent plants that have more flexibility and more efficient allocation of resources.

— To do so, they must invest not only in modern production equipment, but also in state-of-the-art computer technology.

To encourage businesses to transition to digital technology, the Québec Economic Plan provides an additional 35% deduction in the current capital cost allowance for the first two tax years in which the asset is used, for investments made before April 1, 2019.

— This will allow businesses to fully amortize their eligible investments over a three-year period versus the current period, which can be up to 10 years.

☐ $165 million to encourage business transition to digital technology

The additional 35% deduction will allow businesses to free up cash more quickly following an investment by reducing the tax burden, which will increase their profitability and facilitate their financing.

This measure will represent a tax relief totalling $165 million over the next five years.

TABLE B.64

Financial impact of the additional 35% deduction in the capital cost allowance to encourage business transition to digital technology
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
An additional 35% deduction in the capital cost allowance to encourage business transition to digital technology	—	−20.0	−56.0	−59.0	−26.0	−4.0	−165.0

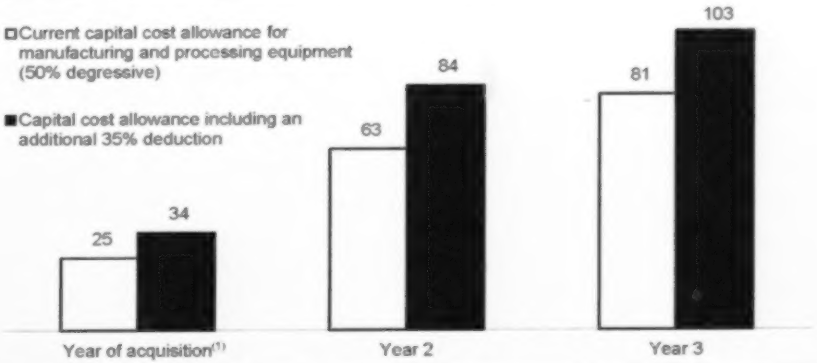
Illustration of the impact of an additional 35% deduction in capital cost allowance

By introducing an additional 35% deduction in capital cost allowance, the government will enable businesses amortize their investments more quickly, including:

- manufacturing and processing equipment, currently amortized at a rate of 50% using the declining-balance method;
- computer equipment, currently amortized at a rate of 55% using the declining-balance method.

For example, after three years, a business would have amortized 81% of the acquisition cost of its manufacturing and processing equipment under the current rules, compared to 103% of the acquisition cost taking the additional 35% deduction under the accelerated method into account.

Illustration of the additional 35% deduction in the capital cost allowance for manufacturing and processing equipment
(accumulated capital cost allowance as a percentage of the acquisition cost)



(1) Under tax rules, amortization is calculated at half rate for the year of acquisition.

9.2 Extension of the tax holiday for large investment projects until December 31, 2020

Since its inception, the tax holiday for large investment projects has helped attract major investment projects throughout Québec, resulting in significant economic and tax impacts for Québec.

To help businesses take full advantage of the more positive economic climate for investment, the Québec Economic Plan provides for:

— a three-year extension of the tax holiday eligibility period for large investment projects, until December 31, 2020;

— a change to the tax holiday eligibility rules to promote the expansion of large investment projects already under way.

A measure that generates significant economic and fiscal repercussions for Québec

The total investment of the 23 projects that have obtained an initial certificate with respect to the tax holiday for large investment projects is $14.7 billion.

It is anticipated that together, these projects will support nearly 8 000 jobs annually during the construction phase.

Over time, the operations arising from these projects will create nearly 8 200 direct jobs and over 8 400 indirect jobs, and contribute $2.9 billion annually to Québec's GDP.

These projects will also help generate a net fiscal gain estimated at $3.6 billion over the next years.

❑ A three-year extension of the tax holiday eligibility period for large investment projects

The three-year extension of the tax holiday eligibility period for large investment projects will allow companies carrying out eligible projects to file for an initial certificate by December 31, 2020 at the latest.

Over a 15-year period, eligible companies can benefit from a tax holiday of up to 15% of the eligible investment amount on:

— income tax on eligible activities relating to their large investment project;

— employer contributions to the Health Services Fund (HSF) based on the payroll for jobs related to their large investment project.

❑ Promote the expansion of large investment projects

Because of the favourable investment climate in Québec, some companies eligible for the tax holiday for large investment projects are considering expanding the projects they currently have under way.

Companies with expansion projects that meet the eligibility criteria will be able to:

- maintain one set of accounts for the two projects;
- combine the two tax holiday ceilings;
- adjust the tax holiday period to take into account the deadline for new investments.

By modifying the eligibility rules for the tax holiday for large investment projects, the government will:

- promote the expansion of large investment projects;
- reduce the administrative burden on eligible companies.

To be able to benefit from this measure, a company will have to apply for an extension to its tax holiday before it submits its first application for the annual certificate with respect to its initial investment project. In addition, the application for the increase must be submitted by December 31, 2020 at the latest.

❑ $8 billion in additional investments

The extension of the tax holiday for large investment projects helps to attract structuring projects throughout all regions of Québec.

- This measure will promote the implementation of projects worth $8 billion in total investment.

By supporting entrepreneurs and investors, Québec will benefit from significant economic returns. These new investment projects are expected to:

- support more than 4 700 jobs per year during the construction phase;
- create more than 12 000 direct and indirect jobs;
- contribute almost $2.5 billion annually to Québec's GDP once they are operational.

In addition, these new projects could generate $2.4 billion in tax revenue.

Tax holiday eligibility criteria for large investment projects

Tax holiday for large investment projects

A company that would like to implement a large investment project will be able to apply for a certificate for a particular project.

To qualify, a project must meet the following criteria:

- investment expenses relating to the implementation of the large investment project in Québec must total $100 million (or $75 million in designated regions) on or before the end of the 60-month period following the date on which the initial certificate was issued;
- the project must involve activities carried out in Québec in eligible sectors;
- the application for an initial certificate must be filed before the implementation of the large project begins, i.e. before the business formally commits to launching the investment project;
- the application must also be filed before the end of the qualifying period for the tax holiday for large investment projects.

Change to the tax holiday eligibility rules

In addition to meeting the same eligibility criteria as those of the tax holiday for large investment projects, companies seeking approval for the expansion of a large investment project currently being implemented must apply for an extension before they submit their first application for an annual certificate relating to the initial investment project.

9.3 Electricity rebate to encourage business investment

The government has announced a major initiative to allow businesses to carry out structuring projects, i.e. the Electricity Discount Program for Consumers Billed at Rate L.

Since September 30, 2016, businesses have been able to file an application under the Electricity Discount Program for Consumers Billed at Rate L, and for which the eligibility period will end on December 31, 2018.

The electricity rebate came into effect on January 1, 2017, and will end no later than December 31, 2024.

❑ Accelerating investments by major industrial companies

When it was announced in *The Québec Economic Plan – March 2016*, the electricity discount program was expected to generate investments of $2.6 billion by December 31, 2020.

As of publication, more than 15 businesses have filed applications relating to projects representing investments of nearly $800 million in nine activity sectors.

Thus, in five months, the applications filed represent more than 30% of this measure's investment target.

TABLE B.65

Summary of electricity rebate eligibility applications
(millions of dollars, unless otherwise indicated)

	Number of businesses	Investments
Mining extraction and quarry operations / Primary metal processing	2	284
Food processing	1	25
Beverage manufacturing	1	48
Chemical manufacturing	1	2
Computer and electronic product manufacturing	2	30
Metal product manufacturing	1	3
Paper manufacturing	6	385
Forestry and logging	2	22
TOTAL	**16**	**799**

❑ Economic impact associated with the electricity rebate

The investment projects for which an application to the Electricity Rebate Program was made should create and support more than 3 200 jobs in construction and acquisition of machinery and equipment.

Using clean electricity produced in Québec to encourage investments

Recap of the broad lines of the Electricity Rebate Program

The Electricity Discount Program for Consumers Billed at Rate L gives eligible projects a maximum electricity discount of 20% over a period of four years, providing a refund equal to 40% of eligible investments made.

- Projects that reduce the intensity of greenhouse gases by 20% are eligible for a refund of up to 50% of eligible costs.

To be eligible for electricity discounts, projects must be carried out in Québec and reach a minimum investment threshold, corresponding to the lesser of:

- 40% of the annual electricity cost;
- $40 million in investments.

This discount's parameters and terms were approved by the government and are available on the Ministère des Finances du Québec's website.

Extending the economic development rate

On March 1, 2017, the Régie de l'énergie approved a three-year extension to the eligibility period for the economic development rate, prolonging the discount until 2027.

- The rate reductions are awarded for a maximum of ten years, which includes a three-year transition period to the regular rate.

With this extension, the government continues to support stakeholders in the industrial sector and contributes to Québec's economic development.

- The economic development rate is complementary to the Electricity Discount Program for Consumers Billed at Rate L, since it targets new strategic projects with significant electricity needs.

Terms of the economic development rate

The economic development rate, initially approved by the Régie de l'énergie in March 2015, consists of an electricity rate reduction of 20% for new loads with medium and large power levels (rates M, LG and L).

New loads must have a maximum required power of at least 1 megawatt for which the electricity costs represent a minimum of 10% of total operating expenses.

For a business that is already subscribed, the additional load must also represent at least 20% of the existing load.

9.4 Close to $3 billion to ease the tax burden on businesses

The Québec Economic Plan prioritizes general application measures to ease the tax burden on businesses in order to enable as many of them as possible to benefit in order to encourage job creation, innovation and investment.

Overall, the reduction in the tax burden of businesses announced in the Québec Economic Plan will represent close to $3 billion by 2021-2022, including close to $1.7 billion specifically for SMBs.

TABLE B.66

Measures to decrease the tax burden on businesses announced in the Québec Economic Plan
(millions of dollars)

	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Measures targeting SMBs									
Reduction in the contribution rate to the HSF for SMBs(1)	−25	−92	−110	−129	−162	−184	−225	−190	−1 117
Reduction in the tax rate of SMBs in the primary and manufacturing sectors	−13	−34	−38	−60	−66	−68	−69	−70	−416
Additional deduction applicable to transportation costs for manufacturing SMBs	−2	−13	−16	−17	−19	−20	−20	−20	−127
Subtotal – SMBs	**−40**	**−139**	**−164**	**−206**	**−247**	**−272**	**−314**	**−280**	**−1 660**
Measures targeting all businesses									
Reduction in the general corporate income tax rate	—	—	−7	−36	−83	−122	−124	−126	−499
Deduction for innovative companies	—	—	−3	−17	−30	−39	−47	−57	−192
Additional 35% deduction in the capital cost allowance to encourage business transition to digital technology	—	—	—	−20	−56	−59	−26	−4	−165
Other measures	—	−10	−32	−79	−80	−85	−88	−97	−472
Subtotal – All businesses	**—**	**−10**	**−41**	**−151**	**−250**	**−305**	**−286**	**−285**	**−1 327**
TOTAL	**−40**	**−149**	**−205**	**−357**	**−496**	**−576**	**−599**	**−564**	**−2 987**

Note: Totals may not add due to rounding.
(1) Net financial impact of refocusing of SMB deduction.

❑ $1.7 billion decrease in the tax burden of SMBs

The initiatives under the Québec Economic Plan represent a decrease of close to $1.7 billion in the tax burden of SMBs by 2021-2022, including:

- a reduction in the contribution rate to the Health Services Fund (HSF) for SMBs in all sectors of the economy;
- introduction of a contribution holiday to the HSF for SMBs that hire specialized workers, in effect until the end of 2020.
- a reduction from 8% to 4% of the tax rate of SMBs in the primary and manufacturing sectors;
- introduction of an additional deduction for transportation costs for manufacturing SMBs.

■ More than $1 billion in payroll tax relief

The actions implemented since the publication of *The Québec Economic Plan – June 2014* represent a reduction of over $1.1 billion by 2021-2022 of payroll taxes for all Québec SMBs.

Over time, the HSF rate for SMBs will be reduced by:

- 2.7% to 1.45% for the primary and manufacturing sectors, a reduction of close to 50%;
- 2.7% to 2.0% for the service and construction sectors, a reduction of more than 25%.

TABLE B.67

Change in the contribution rate to the Health Services Fund for SMBs
(per cent)

	Prior to June 2014	2015	2016	2017	2018	2019	2020	2021
Primary and manufacturing sectors	2.70	1.60	1.60	1.55	1.50	1.50	1.50	1.45
Services and construction	2.70	2.70	2.70	2.50	2.30	2.15	2.05	2.00

Note: The rates increase linearly to 4.26% for a payroll between $1 million and $5 million.

A more competitive tax regime for exporting SMBs

Tax relief for SMBs will help reduce the tax burden for SMBs in the primary and manufacturing sectors to a level similar to that of Ontario.

For example, a small manufacturing company with a taxable income of $500 000 and a $1 million payroll will see its fiscal burden reduced by almost half compared to the situation that prevailed prior to June 2014.

- The difference with a similar business in Ontario, which was over 100%, will be practically eliminated.

Under certain conditions, the business could also be eligible for another deduction for transportation costs, which would reduce its tax burden even further compared to its competitors.

Comparison of the tax burden on a Québec SMB involved in manufacturing to a similar SMB in Ontario
(dollars, unless otherwise indicated)

	Tax burden in Ontario	Tax burden in Québec	
		Prior to June 2014	As of January 1, 2021
Corporate income tax			
Taxable income	500 000	500 000	500 000
Tax rate	4.5%	8.0%	4.0%
Tax payable	**22 500**	**40 000**	**20 000**
HSF contribution			
Total payroll	1 000 000	1 000 000	1 000 000
Contribution rate	1.95%	2.70%	1.45%
Exemption threshold	450 000	—	—
Contribution payable(1)	**10 725**	**27 000**	**14 500**
TOTAL TAX BURDEN	**33 225**	**67 000**	**34 500**
Difference with Ontario	—	*+102%*	*+4%*

(1) Excluding the impact of corporate tax deductibility.

❑ Initiatives totalling over $1.3 billion for all businesses

The Québec Economic Plan also calls for initiatives totalling over $1.3 billion to reduce the tax burden of all businesses, including:

- a gradual reduction of the general corporate income tax rate;
- a deduction for innovative companies;
- an additional 35% deduction in the capital cost allowance to encourage business transition to digital technology.

■ Gradual reduction of the general corporate income tax rate

The Québec Economic Plan – March 2015 provided a gradual reduction of the general corporate income tax rate of 0.1 percentage point per year as of January 1, 2017, to reach 11.5% by January 1, 2020.

- Over time, this gradual reduction will put Québec's general corporate income tax rate on a par with that of Ontario.

TABLE B.68

Evolution of the general corporate income tax rate
(per cent)

	Prior to January 1, 2017	2017	2018	2019	2020
General corporate income tax rate	11.9	11.8	11.7	11.6	11.5

■ Deduction for innovative companies

In order to encourage the marketing and manufacturing in Québec of innovations designed by businesses, *The Québec Economic Plan – March 2016* called for the introduction of a deduction for innovating companies.

Since January 1, 2017, this measure allows manufacturing companies marketing products that include a patent on an invention developed in Québec, to benefit from a reduction in the tax rate applicable to the income derived from this patent.

- The tax rate on income derived from a patent, which would have been 11.8%, has been reduced to 4.0%.

■ Additional 35% deduction in the capital cost allowance to encourage business transition to digital technology

To encourage businesses to transition to digital technology, the Québec Economic Plan provides an additional 35% deduction in the current capital cost allowance for the first two tax years in which the asset is used, for investments made before April 1, 2019.

Assistance to SMBs under the Québec Economic Plan

As part of the Québec Economic Plan, the government is taking action to foster the growth of Québec SMBs, the main engine of economic activity.

Since June 2014, this action has translated into financial support for Québec SMBs totalling $3.8 billion, allowing them to become more competitive and allocate more resources to their growth.

- Of this amount, $620 million comes from initiatives under *The Québec Economic Plan – March 2017*.

Assistance to SMBs under the Québec Economic Plan
(millions of dollars)

	Total
PRIOR TO *THE QUÉBEC ECONOMIC PLAN – MARCH 2017*	
Improvement to the tax system and reduction of the tax burden on SMBs	1 660
Tax relief for the transfer of family businesses	80
Budgetary relief for SMBs	637
Initiatives for providing SMBs with more access to investment capital[1]	784
Subtotal – Prior to *The Québec Economic Plan – March 2017*	**3 161**
THE QUÉBEC ECONOMIC PLAN – MARCH 2017	
Improvement to the tax system and reduction of the tax burden on SMBs	
Expanded tax relief for the transfer of family businesses	277
Enhancement of the additional deduction for transportation costs incurred by Îles-de-la-Madeleine manufacturing SMBs	6
Extending tax measures for the creation of new financial services corporations	1
Budgetary relief for SMBs	
Co-operative buyout support program	50
Support the development of the distilling industry	5
New entrepreneurship action plan	70
Immediate actions to support entrepreneurship	8
Initiatives for providing SMBs with more access to investment capital[1]	
RV Orbite Montréal fund	30
InnovExport Fund	15
Essor et Coopération fund	46
Local solidarity funds	32
Extend and revise the Québec Culture Capital Fund	80
Subtotal — *The Québec Economic Plan – March 2017*	**620**
TOTAL	**3 781**

(1) The amounts for initiatives to provide SMBs with more access to investment capital include interests held by partners.

10. PROMOTE THE ECONOMIC DEVELOPMENT OF ALL REGIONS

Québec can count on a diversified economy that enjoys the benefits of cutting-edge knowhow in several economic sectors and significant natural and renewable resources.

Within this context, the Québec Economic Plan is putting in place measures that will enable the Québec economy to take benefit from the many assets offered by all Québec regions.

By stimulating the development of all regions, the government is creating an environment that encourages the pursuit of strong and sustainable growth.

☐ More than $1.2 billion to support the economic development of all regions

The government is stepping up its efforts as part of the Québec Economic Plan by:

- encouraging the development of all of Québec's regions, in particular by granting them more autonomy and powers;
- supporting the growth of key sectors, including the agri-food, alcoholic beverage, tourism and financial sectors;
- stimulating private investment;
- protecting the environment, wildlife, and our renewable resources;
- encouraging sustainable mobility in the transportation sector;
- supporting the Maritime Strategy by taking further action;
- implementing new initiatives as part of the Plan Nord.

In all, over the next five years, more than $1.2 billion will go toward promoting the prosperity of every region of Québec.

TABLE B.69

Financial impact of the measures to promote the economic development of all regions

(millions of dollars)

	2016-2017[1]	**2017-2018**	**2018-2019**	**2019-2020**	**2020-2021**	**2021-2022**	**Total**
Support the regions as they take charge of their economic development	—	−48.0	−75.0	−102.0	−129.0	−168.0	−522.0
Stimulate investment in the agri-food sector	—	−19.2	−27.9	−33.8	−39.1	−39.2	−159.2
Accelerate the development of the alcoholic beverage sector	—	−1.4	−1.6	−1.8	−2.0	−2.4	−9.2
Québec's financial sector: an important development facilitator	—	−0.5	−1.1	−0.2	−0.4	−0.5	−2.7
Tourism as a vector of economic development	−10.0	−19.7	−21.4	−23.0	−24.1	−25.1	−123,3
Protect the environment, wildlife, and our renewable resources	−25.0	−31.4	-42.3	-45.8	-44.8	-42.1	−231,4
Encourage sustainable mobility in the transportation sector	−2.6	−51.7	−25.2	−2.1	−1.9	−1.1	−84.6
Additional actions to support the Maritime Strategy	—	−11.3	−13.0	−13.1	−8.4	−8.4	−54.2
New initiatives as part of the Plan Nord	—	−2.6	−12.6	−6.1	−12.0	−12.0	−45.3
Improving the delivery of government services and the protection of personal information	—	−1.1	−2.1	−2.1	−2.1	−2.1	−9.5
TOTAL	**−37.6**	**−186.9**	**−222.2**	**−230.0**	**−263.8**	**−300.9**	**−1 241.4**

(1) The subsidies granted in 2016-2017 support the funding of new initiatives.

10.1 Support the regions as they take charge of their economic development

With *The Québec Economic Plan – October 2016 Update*, the government announced its intention to invest more in the economic development of all the regions of Québec.

In that regard, $522 million in assistance over a five-year period has been set aside to support the regions, the national capital and the city of Montréal.

Of this amount, $310 million will help to promote regional economic development projects through a new program, namely the Fonds d'appui au rayonnement des régions (FARR).

Moreover, additional funding will be made available to facilitate agreements between the government and the Québec City and Montréal administrations.

— By recognizing the special nature of these cities, these agreements will support the unique responsibilities of Québec City and Montréal, as Québec's capital and its metropolis, respectively.

With this funding, the government is strengthening its active commitment to the regions and recognizing the important role that local governments play in the economic development of Québec.

TABLE B.70

Financial impact of the measures to support the regions, the national capital and the Ville de Montréal as they take charge of their economic development

(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Creation of the Fonds d'appui au rayonnement des régions	—	−30.0	−45.0	−60.0	−75.0	−100.0	−310.0
Additional sums in recognition of Québec City's status as the national capital(1)	—	−8.0	−10.0	−12.0	−14.0	−18.0	−62.0
Financial support in recognition of Montréal's status as a metropolis	—	−10.0	−20.0	−30.0	−40.0	−50.0	−150.0
TOTAL	**—**	**−48.0**	**−75.0**	**−102.0**	**−129.0**	**−168.0**	**−522.0**

(1) In addition to these amounts, $7 million annually has already been set aside by the Secrétariat à la Capitale-Nationale.

10.1.1 $310 million for the creation of the Fonds d'appui au rayonnement des régions

The government hopes to give the regions, as local governments, the tools they need for their own economic development. A new financial assistance program will be created for this purpose, i.e. the Fonds d'appui au rayonnement des regions (FARR).

To achieve this commitment, the Québec Economic Plan provides for:

- an envelope of $30 million to be allocated to FARR as of 2017-2018;
- the funding of this envelope, to which the regions will have access, to gradually increase to $100 million annually starting in 2021-2022.

In all, $310 million over five years will be dedicated to funding FARR.

TABLE B.71

The envelope of the Fonds d'appui au rayonnement des régions
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Fonds d'appui au rayonnement des régions	—	30.0	45.0	60.0	75.0	100.0	310.0

☐ Projects financed by FARR as of 2017

FARR will be created in April 2017. The sums that will be allocated to FARR will be entirely used to fund regional development projects selected according to the priorities of each region.

Each region will establish its own selection committee, which will be able to choose the most promising projects with respect to the priorities it will have identified through regional collaboration and involvement.

Therefore, the projects that will receive assistance will have the distinction of being regional in impact, since they will have an impact on several RCMs.

To enable the regions to devote the entire amount allocated to carry out their projects, the Ministère des Affaires municipales et de l'Occupation du territoire will be responsible for administering FARR, especially with respect to standards, fiscal management, the signing of memorandums of understanding, and administrative follow-up.

Thus, to implement FARR, the Québec Economic Plan will grant additional appropriations to the Ministère des Affaires municipales et de l'Occupation du territoire in the amounts of $30 million in 2017-2018, $45 million in 2018-2019, $60 million in 2019-2020, $75 million in 2020-2021, and $100 million in 2021-2022. Details regarding the FARR will be presented soon by the Minister of Municipal Affairs and Land Occupancy.

☐ Significant leverage to support local priorities

Besides FARR, the RCMs will continue to actively support their regions through the Fonds de développement des territoires (FDT).[12] The Fund's envelope will increase from $100 million in 2017-2018, to $105 million in 2018-2019, and $115 million in 2019-2020.

Moreover, as part of the preparations of the next Strategy to ensure the occupancy and vitality of the regions, the Minister of Municipal Affairs and Land Occupancy, accompanied by the ministers responsible for each region, has embarked on a tour of all Québec regions.

— One of the aims of these meetings between municipal and government elected officials is to agree on the best way to target the development priorities of each region.

Thanks to all of these economic development tools, regional stakeholders, because of their in-depth knowledge of their area, will be active participants in the decision-making and tasked with prioritizing the efforts required.

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[12] The FDT was established as part of the Transitory Fiscal Pact regarding financial transfers to the municipalities for 2015 and a new regional governance structure to support the RCMs in their role with respect to regional and local development.

10.1.2 $62 million in additional sums in recognition of Québec City's status as national capital

As the provincial capital, Québec City assumes significant and special responsibilities. It plays a decisive role in the economic development of Québec, and its influence extends beyond the province's borders.

It is within this context that the *Act to grant Québec City national capital status and increase its autonomy and powers* was assented to on December 9, 2016.

This act officially recognizes the national capital status of Québec City and significantly increases its powers with respect to economic development, culture and heritage, finance and taxation, urban affairs and municipal management.

In order to reach the objectives associated with Québec City's national capital status, the Entente sur les engagements du gouvernement et de la Ville de Québec pour la reconnaissance du statut particulier de la capitale nationale, signed on June 8, 2016, provides for the implementation of a support fund for the city and the National Capital region.

The Québec Economic Plan provides for additional resources in the amount of $8 million in 2017-2018, which will gradually reach $18 million in 2021-2022 for this purpose. These resources will be aimed at contributing to the dynamism, development, and influence of the national capital and will help implement structural projects for the regional economy.

- In this way, while also taking into account the $7 million granted annually by the Secrétariat à la Capitale-Nationale, Québec City will have access to $25 million annually at term to fully assume its role as the national capital.

For this purpose, additional appropriations of $62 million, i.e. $8 million in 2017-2018, $10 million in 2018-2019, $12 million in 2019-2020, $14 million in 2020-2021, and $18 million in 2021-2022 will be provided to the Ministère du Travail, de l'Emploi et de la Solidarité sociale.

10.1.3 $150 million in financial assistance in recognition of the status of Montréal as metropolis

Montréal contributes hugely to the development of Québec. It is recognized worldwide in several economic sectors, such as culture, video games, artificial intelligence, visual effects, aerospace, and life sciences as well as information technology and communications.

Thus, the government presented the draft legislation *Act to increase the autonomy and powers of Ville de Montréal, the metropolis of Québec*. This draft legislation is currently under review.

At the same time, the Réflexe Montréal agreement, signed on December 8, 2016, between the government and the Ville de Montréal, defines the limits of the government's commitments to reinforcing its recognition of the role of the city's local government.

As part of this agreement, the government has committed to providing annual assistance to the Ville de Montréal to support its economic development strategy.

Thus, the Québec Economic Plan provides for an annual envelope in the amount of $50 million at term to financially support economic projects in the metropolis.

For this purpose, additional appropriations of $150 million, i.e. $10 million in 2017-2018, $20 million in 2018-2019, $30 million in 2019-2020, $40 million in 2020-2021, and $50 million in 2021-2022 will be provided to the Ministère de l'Économie, de la Science et de l'Innovation to implement the agreement with the Ville de Montréal.

Réflexe Montréal agreement – Commitments regarding economic development

As part of the Réflexe Montréal agreement, the government commits to supporting the implementation of the economic-development strategy for the Ville de Montréal.

- The sum of $150 million over five years will be made available to the Ville de Montréal to ensure the strategy is implemented.

As the sign of a new, innovative partnership, the Réflexe Montréal agreement stipulates that the Ville de Montréal and the Government of Québec will establish a common vision for the economic development of the metropolis.

Thus, the government and the Ville de Montréal will confer with one another and work together to establish a joint plan to guide economic development.

However, the Ville de Montréal will be solely responsible for managing the financial assistance it provides.

- In addition, the financial implications for the government may not exceed the sums provided in the Québec Economic Plan for the implementation of Ville de Montréal's economic development strategy as part of the Réflexe Montréal agreement.

The Ville de Montréal and the Ministère de l'Économie, de la Science et de l'Innovation (MESI) will be responsible for preparing the joint plan, which will include:

- creating a committee whose mandate will be to rule on this integrated economic plan;
- holding statutory meetings between the City and the MESI to ensure this integrated economic plan is implemented;
- securing the knowledge and experience that the government (MESI, Investissement Québec, etc.) and the City have each gained in their respective niches to ensure they complement each other.

10.2 $159 million to stimulate investment in the agri-food sector

Agricultural production, fisheries and food processing are responsible for more than 126 000 jobs across Québec regions and generate $11.3 billion in GDP.

This sector is rapidly changing. Increasingly, consumers are demanding better quality food and a more diverse range of products. In addition, production methods and technologies are constantly evolving. Producers therefore need to adapt and innovate in order to remain competitive.

To support the agri-food sector, the Québec Economic Plan provides for $159.2 million over five years, allocated as follows:

- $95 million to support investment in the agriculture sector;
- $42.5 million to support innovative agriculture, including organic farming, and food processing;
- $4 million to expand the Programme de soutien au drainage et au chaulage des terres to other regions;
- $3.7 million to promote greenhouse development;
- $14 million to promote reduced pesticide use.

Futhermore, the Québec Economic Plan provides for the implementation of measures to support the preservation and use of quality farmland.

TABLE B.72

Financial impact of the measures to stimulate investment in the agri-food sector
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
New agricultural investment support program	—	−10.0	−15.0	−20.0	−25.0	−25.0	−95.0
Support for innovative agriculture and food processing	—	−5.0	−7.5	−10.0	−10.0	−10.0	−42.5
Expansion of the Programme de soutien au drainage et chaulage	—	−2.0	−2.0	—	—	—	−4.0
New electricity discount program to encourage greenhouse development	—	−0.2	−0.4	−0.8	−1.1	−1.2	−3.7
Responsible use of agricultural pesticides	—	−2.0	−3.0	−3.0	−3.0	−3.0	−14.0
Preservation and use of quality farmland	—	—	—	—	—	—	—
TOTAL	**—**	**−19.2**	**−27.9**	**−33.8**	**−39.1**	**−39.2**	**−159.2**

10.2.1 $95 million to support investment in the agriculture sector

Farm producers must meet ever-increasing consumer expectations and modernize their production methods in order to remain competitive in various markets.

For this reason, the Québec Economic Plan provides for $95 million over five years to implement an agricultural investment support program.

The primary objective of this program is to help fund the construction and renovation of farm buildings so that they meet new standards, including those relating to animal welfare, and to improve energy efficiency.

Thanks to this program, approximately 2 000 agricultural businesses will be able to update their buildings and equipment. This measure will support approximately $300 million in investments.

❑ New agricultural investment support program

In order to help agricultural producers update their buildings and equipment, the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation (MAPAQ) will implement an agricultural investment support program.

This program will notably provide agricultural producers with the following:

- an increase in the funding offered to businesses under MAPAQ's Programme services-conseils, so that every business can avail of a diagnosis and investment plan;
- direct investment assistance, enabling the partial reimbursement of loan interest or a part of admissible investment expenses.

There will be a maximum assistance cap per business for the term of the program, which is five years.

Program details will be announced at a later date by the Minister of Agriculture, Fisheries and Food.

■ Supplementary assistance for consulting services

Each agricultural company has different investment needs, which vary according to the condition of its buildings and equipment.

Diagnosis of the condition of infrastructure and production equipment, and the subsequent preparation of an investment plan, is therefore a useful measure for determining the investment needs of agricultural companies.

Diagnosis is especially useful for assessing the energy efficiency of agricultural production buildings and ensuring that they comply with animal welfare standards. The measures to be taken following the diagnosis will be outlined in an investment plan, which is used to determine the producer's eligible expenses.

This new investment assistance program will underwrite part of the cost of a business' diagnosis and investment plan.

In order to take advantage of the direct investment assistance offered under this new program, each business must have had the condition of its infrastructure and equipment diagnosed and must have received an investment plan.

- **Direct investment assistance**

If the producer carries out the work outlined in the investment plan, the new assistance program may reimburse a portion of the costs associated with the investment, such as borrowing interest or eligible capital expenses.

In order to implement this agricultural investment assistance program, additional appropriations of $10 million in 2017-2018, $15 million in 2018-2019, $20 million in 2019-2020 and $25 million in 2020-2021 and 2021-2022 will be allocated to the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation.

10.2.2 $43 million in support for innovative agriculture and food processing

New food products are constantly being introduced on the market. The variety and scope of possibilities has forced food processing firms to innovate.

Furthermore, a growing number of citizens want access to local agricultural products. As a result, new production methods are being introduced.

To manage already well-established trends, the Québec Economic Plan provides for an amount of $42.5 million over five years to support:

— innovative agricultural practices, including organic farming;

— research and innovation in the food processing sector.

☐ Support for innovative agriculture

Innovative agricultural production methods, such as organic and urban agriculture, are increasingly prevalent in Québec. Indeed, organic product sales by distributors have grown by approximately 10% annually on average over the past ten years.

Interest in urban agriculture is also growing, as more and more city dwellers are demanding fresh, locally produced food products.

In order to help farms adapt to these new market realities, young agricultural entrepreneurs must have tools at their disposal to help them succeed in a context of rapidly changing agricultural production methods.

The Québec Economic Plan therefore provides for support for innovative agriculture to:

— enable the continuation of the Programme d'appui pour la conversion biologique;

— support urban agriculture;

— encourage agricultural business to welcome young entrepreneurs to support the next generation of farmers.

☐ Support for food processing

The food processing industry is an essential component of Québec's economy. It accounts for more than 2 300 businesses located throughout Québec and is the largest employer in the manufacturing sector. What's more, approximately 70% of products derived from Québec's farming and fishing operations are processed by Québec-based firms.

In order to break into markets in Québec and elsewhere, the food processing industry must constantly innovate, maintain satisfactory performance and offer specialized products. This is especially true for food processing SMBs and businesses that produce alcoholic beverages.

Therefore, the Québec Economic Plan provides for support to boost the competitiveness of food processing companies.

Among other benefits, this support will make it possible to achieve the following priorities:

- accelerating innovation in processed products and processing methods;
- improving the competitiveness of small and medium-sized businesses;
- diversifying the range of food products produced in Québec and improving the positioning of Québec's food products, especially for the institutional market;
- supporting agri-food businesses in their initiatives to develop new markets outside Québec.

☐ A food summit planned for fall 2017

The various stakeholders of the agri-food sector, including the Conseil de la transformation alimentaire du Québec, will be actively involved in reflecting on how these initiatives can be implemented.

The details of these measures will be announced by the Minister of Agriculture, Fisheries and Food at the Sommet sur l'alimentation in fall 2017.

In order to support innovative agriculture and the food processing industry, additional appropriations of $5 million in 2017-2018, $7.5 million in 2018-2019, and $10 million annually for the following three years will be disbursed to the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation. The amounts for 2017-2018 will be drawn from the Contingency Fund.

10.2.3 Expansion of the Programme de soutien au drainage et au chaulage des terres

Farmland draining and liming are strategies aimed at increasing crop productivity and revitalizing land with the potential to be recultivated.

The Québec Economic Plan – March 2016 announced additional funding of $5 million over three years to expand the farmland drainage support program to include Bas-Saint-Laurent, Saguenay–Lac-Saint-Jean and Côte-Nord, and added a liming component.

Given the growing request for funds under the program, the Québec Economic Plan provides for an additional $4 million in incentives over two years to expand the Programme de soutien au drainage et au chaulage des terres.

These supplementary funds will make the program available to agricultural businesses in 34 additional RCMs, including the entire Gaspésie–Îles-de-la-Madeleine region.

Additional appropriations of $4 million, i.e. $2 million annually in 2017-2018 and 2018-2019, will be disbursed to the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation for this purpose.

TABLE B.73

New RCMs eligible for the Programme de soutien au drainage et au chaulage des terres

Chaudière-Appalaches	**Gaspésie–Îles-de-la-Madeleine**	**Capitale-Nationale**	**Laurentides**
L'Islet	Le Rocher-Percé	Charlevoix-Est	La Rivière-du-Nord
Montmagny	La Côte-de-Gaspé	Charlevoix	Argenteuil
Bellechasse	La Haute-Gaspésie	La Côte-de-Beaupré	Les Pays-d'en-Haut
Robert-Cliche	Bonaventure	La Jacques-Cartier	Les Laurentides
Les Etchemins	Avignon	Portneuf	Antoine-Labelle
Beauce-Sartigan	Les Îles-de-la-Madeleine	**Outaouais**	**Mauricie**
Les Appalaches	**Estrie**	Papineau	Mékinac
Lanaudière	Le Granit	Les Collines-de-l'Outaouais	Shawinigan
Matawinie	Le Haut-Saint-François	La Vallée-de-la-Gatineau	Maskinongé
		Pontiac	La Tuque

10.2.4 New electricity discount program to encourage greenhouse development

Greenhouses represent one way to develop agriculture in Québec, since they offer growing conditions adapted to regions less favourable to traditional farming. In addition, greenhouse production allows Quebecers to buy and consume high-quality local products throughout the year.

In order to speed up investment in this sector, the Québec Economic Plan provides for the creation of a new electricity discount program for greenhouses.

— Through this program, businesses will be able to benefit from a maximum discount of 20% of their electricity costs for four years, which represents a reimbursement equal to 40% of the eligible investment made.

It is anticipated that the new program could attract investments totalling $13.5 million by December 31, 2020.

— This is equivalent to relief totalling $5.4 million for businesses that invest, of which $3.7 million will fall within the period from 2017-2018 to 2021-2022.

TABLE B.74

Potential investment and financial impact relating to the new electricity discount program to promote greenhouse development
(millions of dollars)

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Potential investment relating to the new program	1.4	3.5	5.2	3.4	—	13.5
Financial impact of the new program	−0.2	−0.4	−0.8	−1.1	−1.2	−3.7

☐ An additional discount for converting to electricity

To encourage businesses to reduce their carbon footprint and, in this way, help Québec reach its greenhouse gas emission reduction target, an additional discount will be offered for investment projects that convert fossil-fuel heating systems to electrical heating systems.

This additional discount will increase the total reimbursement by a maximum of 10% of the investment made.

— The additional discount will also be available for new greenhouse projects that choose an electrical heating system from the outset.

❑ Main parameters of the new program

The new electricity discount program to promote greenhouse development is aimed at projects that help achieve one of the following objectives:

- a production start up or an increase in production;
- an increase in productivity by modernizing production equipment or methods;
- the conversion of the heating system from fossil fuels to electricity.

The projects for which an application is made must be implemented in a commercial greenhouse. To support structuring investments, the minimal investment threshold for an application will be $150 000.

The maximum discount could reach 20% of the greenhouse electricity costs and will apply in addition to their rate options.

The annual investment needed to maintain the assets will not be eligible for this measure.

All the terms and conditions of this new electricity discount program will be announced at a later date by the Minister of Finance.

❑ Electricity discount application

Businesses will be able to apply for the new electricity discount program between September 30, 2017 and December 31, 2018.

Investment projects starting the day after the 2017-2018 budget speech will be eligible for this new electricity discount program.

- Businesses will have until December 31, 2020, to make their investment.

Eligible businesses will be able to benefit from a reduction of their electricity bills after the investment has been made.

The effective discount period will end no later than December 31, 2024.

TABLE B.75

Important dates regarding the new electricity discount program to encourage greenhouse development

Accounting begins for the investments	Start date to submit an application	Deadline to submit an application	Deadline to implement the projects	End of the discount period
March 29, 2017	Sept. 30, 2017	Dec. 31, 2018	Dec. 31, 2020	Dec. 31, 2024

10.2.5 **$14 million for the responsible use of agricultural pesticides**

The government has demonstrated its commitment to strengthening the regulation of pesticide use in the Québec Pesticide Strategy 2015-2018.

- This strategy bolsters the Stratégie phytosanitaire québécoise en agriculture 2011-2021 (Québec phytosanitary agricultural strategy), which notably aims to reduce the health and environmental risks associated with pesticide by 2021.
  - Approximately 16 550 firms will be required to comply with the new regulation.

With this perspective in mind, the Québec Economic Plan provides for an additional investment of $14 million over five years in order to promote initiatives to reduce the risks associated with pesticide use. These funds will be used to:

- implement general and specific intervention strategies such as the introduction and application of methods that provide an alternative to pesticide use in order to reduce associated risks;
- expand the support systems offered to agricultural producers by supplementing financial support for consulting services;
- support agricultural producers by compensating for the impacts of new regulatory measures.

To that end, additional appropriations of $2 million in 2017-2018 and $3 million annually for the following four years will be allocated to the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation. The amounts for 2017-2018 will be drawn from the Contingency Fund.

Possible actions to reduce the impact of pesticides on the environment and on health

For example, additional investments provided for in the Québec Economic Plan will help to:

- update the methodologies used to analyze the pesticides found on fruits and vegetables in order to better inform people about what they are consuming;
- manage crop pests and diseases more effectively and economically by evaluating, in particular, aerial spraying of fungicides;
- support and monitor agricultural producers to ensure they adopt soil conservation and health practices, such as crop rotation;
- support agricultural producers introduce innovative agri-environmental practices, such as the use of sterile flies in onion production or the use of spiked chain harrows to control weeds among the rows of market vegetables.

10.2.6 **Support the preservation and use of farmland**

Québec's land suitable for agriculture is a limited resource. It makes up only 3.15 million hectares, or 2% of the province's territory. What's more, over 75 000 hectares of farmland was lost between 2001 and 2011.

— The impact of urbanization on farmland is particularly marked in the St. Lawrence Lowlands, where some of the most fertile land is found.

According to the Commission de protection du territoire agricole du Québec,[13] some residential, commercial and industrial development projects are likely to lead to the underutilization of farmland and the loss of agricultural businesses located near consumers.

In order to reconcile the desire to develop and plan land with the need to preserve land used for agricultural purposes, the Québec Economic Plan provides for two measures to support the preservation and use of agricultural land.

☐ Compensation for the loss of quality agricultural land

The government wishes to align economic and social development projects, such as the Réseau électrique métropolitain (REM), with the objective of preserving farmland.

To stem the loss of quality agricultural land and preserve Québec's production capacity for future generations, the government will put in place an agricultural land compensation mechanism in cases where a project on the Communauté métropolitaine de Montréal territory results in a substantial loss of agricultural area. To do so, amendments will be made to *the Act respecting the preservation* of agricultural land and agricultural activities.

☐ Promote the cultivation of fallow lands

Fallow lands make up a significant portion of Québec's territory. Consequently, a number of local stakeholders have called for incentives to maintain agricultural activities in agricultural areas.

— In the area around Montréal, for example, fallow land makes up 2.9% of the Communauté métropolitaine de Montréal's agricultural area.

To achieve this objective, the government will grant Communauté métroplitaine de Montréal municipalities the power to collect a special tax on fallow farmland in order to encourage the continuation of farming activities. This measure will authorize municipalities to collect a tax with the resulting revenues reserved for funding initiatives aimed at preserving or re-establishing active farmland. To this effect, legislative amendments will be made to the *Act respecting municipal taxation*.

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[13] Commission de protection du territoire agricole du Québec, *Notice according to Article 66 of the Act respecting the preservation of agricultural land and agricultural activities*, file 385417, September 30, 2016.

10.3 $9 million to accelerate the development of the alcoholic beverage sector

The alcoholic beverage sector is growing fast. The variety of products on offer is growing, as is the number of businesses throughout the territory of Québec. The development of the sector is an opportunity to encourage hiring, support the agricultural and tourism sectors, create new markets and stimulate exports.

The Government of Québec has introduced various measures to boost this sector over the years.

The Québec Economic Plan provides $9.2 million over five years to accelerate the development of the alcoholic beverage sector by:

— supporting the development of the distilling industry;

— adapting the way the brewing industry is regulated;

— supporting marketing initiatives in the alcoholic beverage sector.

TABLE B.76

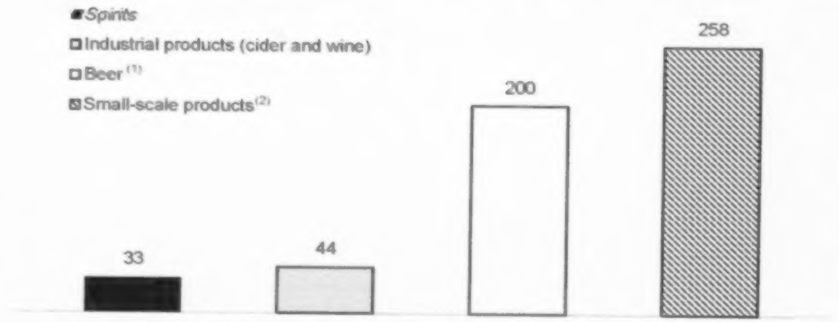
Financial impact of the measures to accelerate the development of the alcoholic beverage sector
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Support the development of the distilling industry	—	–0.6	–0.8	–1.0	–1.2	–1.6	–5.2
Adapt the way the brewing industry is regulated	—	—	—	—	—	—	—
Support marketing initiatives in the alcoholic beverage sector	—	–0.8	–0.8	–0.8	–0.8	–0.8	–4.0
TOTAL	**—**	**–1.4**	**–1.6**	**–1.8**	**–2.0**	**–2.4**	**–9.2**

A fast-growing sector

As of February 1, 2017, there were 535 active permits in the alcoholic beverage production and manufacturing sector in Québec.

Number of permits for producers of alcoholic beverages in effect in Québec – February 1, 2017



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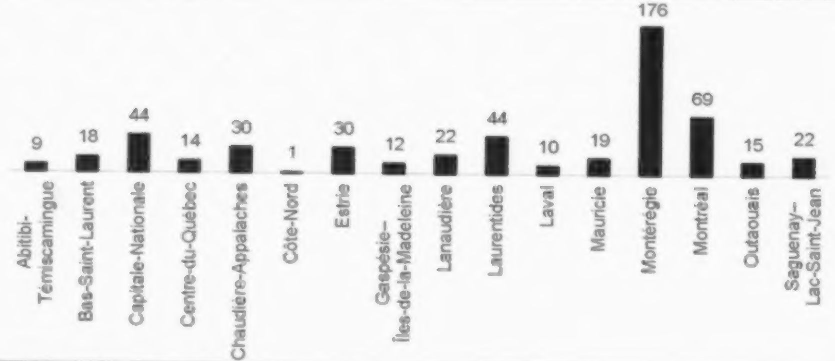
(1) Includes small-scale beer producer's, brewer's and beer distributor's permits.
(2) Wine, cider, mead, mistelle, liqueur made from berries or maple syrup, produced by agricultural producers who hold small-scale production permits.
Sources: Régie des alcools, des courses et des jeux and Ministère des Finances du Québec.

Economic spinoffs for all Québec regions

All of Québec's regions benefit from the development and economic spinoffs of the alcoholic beverage sector.

Number of permits for producers of alcoholic beverages[1] by region – February 1, 2017



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(1) Includes both small-scale and industrial production permits.
Sources: Régie des alcools, des courses et des jeux and Ministère des Finances du Québec.

10.3.1 Support the development of the distilling industry

The distilling industry is growing significantly. The number of distilling permit holders is increasing, reaching 33 in 2017. That means that most distillers in Québec are start-ups or entering their first growth phases.

The sale of spirits in Québec through the Société des alcools du Québec has grown by close to 30% per year over the last five years. That growth is due to several factors, including the fact that Quebecers are passionate about alcoholic beverages made by local producers that showcase Québec products.

TABLE B.77

Sales of Québec products by the Société des alcools du Québec
(millions of dollars, unless otherwise indicated)

	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	Average growth
Spirits	8	11	17	19	22	28	28.5%
All Québec products(1)	22	26	34	36	42	50	17.8%

(1) Wine, cider, mead, mistelle, liqueur made from berries or maple syrup and spirits.

In order to support the production of quality Québec spirits in sufficient quantities to make the business sector profitable, the Québec Economic Plan will:

— authorize the sale of spirits where they are produced;

— support the positioning of Québec spirits.

TABLE B.78

Financial impact of measures to support the development of the distilling industry
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Authorize of the sale of spirits where they are produced	—	—	—	—	—	—	—
Support the positioning of Québec spirits	—	−0.6	−0.8	−1.0	−1.2	−1.6	−5.2
TOTAL	**—**	**−0.6**	**−0.8**	**−1.0**	**−1.2**	**−1.6**	**−5.2**

❑ Authorize the sale of spirits where they are produced

At the present time, holders of distiller's permit are authorized to sell their products to the Société des alcools du Québec or send them out of Québec.

On the other hand, holders of small-scale production permits that allow for distilling can sell their products on their premises for consumption there or elsewhere.

To allow all distillers to take advantage of the current craze for agro-tourism, the Québec Economic Plan will introduce changes that will authorize:

- holders of distiller's permit to sell their products where they are produced, for consumption elsewhere;
  - Only products produced on site and products obtained from the Société des alcools du Québec may be sold that way.
- tasting on the premises where products are produced.

The participation of the Société des alcools du Québec will help to ensure product quality, track quantities sold and monitor prices, all with a view to protecting public health and safety.

☐ Support the positioning of Québec spirits

The purpose of the Programme d'appui au positionnement des alcools québécois dans le réseau de la Société des alcools du Québec (PAPAQ) is to support businesses that hold small-scale production permits and sell their products through the Société des alcools du Québec network.

- The products targeted include wine, cider, mead, mistelle, and liqueurs made from berries or maple syrup. However, spirits are not eligible for this program.

Québec distillers have to cope with production costs that are largely determined by where their raw materials come from, the production process, the distilling site and the products' aging time.

To support the distilling sector, the Québec Economic Plan will extend the PAPAQ starting in 2017-2018 to:

- products produced by the holders of small-scale production permits that allow for distilling;
- products produced by the holders of distiller's permit.

In order to support innovative measures of small-scale producers and distillers, financial assistance will be allocated to Québec spirits sold within the Société des alcools du Québec network,[14] and to distiller's permit holders for products sold where they are produced. It will amount to:

- 4% of sales for spirits produced from Québec raw materials;
- 14% of sales for spirits composed entirely of alcohol distilled by the producer using raw materials exclusively from Québec.
  - An increase of $2 per bottle will be added for products that match that criterion if they have been aged for three years or more.

The assistance will be available for holders of small-scale production permit that allow for distilling and distiller's permit, with annual spirit sales capped at $200 000 per business and $30 000 per product category.

The Minister of Finance will announce the program details at a later date.

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[14] Products considered "regular" by the Société des alcools du Québec will not be eligible. A "regular" product is a product in constant supply sold in large volumes.

10.3.2 Adapt the way the brewing industry is regulated

The beer industry is firmly established in Québec and is a major manufacturing sector that also has an impact on regional tourism.

In order to ensure the regulatory framework is better adapted to the evolving beer market, the Québec Economic Plan will:

- make it easier to hold events for introducing and discovering beer;
- authorize small-scale beer producers to sell directly to holders of reunion permits.

The Government of Québec will set the date for these new provisions to come into effect.

☐ Make it easier to hold events for introducing and discovering beer

In order to promote beers brewed in Québec, changes will be proposed allowing the holders of small-scale beer producer's permit and brewer's permit to offer their products for sale at tasting fairs, provided they themselves hold reunion permits.

☐ Authorize small-scale beer producers to sell directly to holders of reunion permits

Small-scale beer producers have been authorized to sell their products on a take-out basis since December 2016. However, holders of reunion permits are not able to buy these products because they were obliged to acquire their beer from holders of a grocery permit.

In keeping with the objective of supporting the promotion of artisanal Québec beers, changes will be proposed to authorize holders of reunion permits to acquire their supplies directly from small-scale beer producers.

Comité interministériel sur l'industrie brassicole

The purpose of the Comité interministériel sur l'industrie brassicole is to determine the financial and regulatory challenges that are preventing the full development of the brewing industry in Québec.

Coordinated by the Ministère des Finances, the committee includes the Association des microbrasseries du Québec, the Association des brasseurs du Québec and representatives from various departments and organizations, including the Ministère de l'Économie, de la Science et de l'Innovation et la Régie des alcools, des courses et des jeux.

To assist the committee in its work, a study is under way to develop an economic and fiscal profile of the micro-brewing industry in Québec.

The committee will continue its work over the coming months.

10.3.3 Support marketing initiatives in the alcoholic beverage sector

Businesses in the alcoholic beverage sector have benefited from the support of the Government of Québec for many years, which has contributed to the sector's growth.

In order to continue these efforts, the Québec Economic Plan provides financial assistance totalling $4 million to implement the Programme d'appui aux initiatives de commercialisation du secteur des boissons alcooliques. The program will provide financial support for promotional or commercial activities intended to promote Québec products.

Eligible projects will be those that contribute to the growth of the sector, such as training and skill upgrading courses, marketing strategies or development plans and promotional events.

Sector associations, business groups and cooperatives will feature among the target clientele.

The Ministère des Finances will receive $0.8 million per year over five years to support marketing initiatives in the alcoholic beverage sector.

The Minister of Finance will announce the program details at a later date.

Projects eligible for the program to support marketing initiatives in the alcoholic beverage sector

The kinds of projects that will be eligible include:

- holding agri-tourism events that are open to the public;
- developing and implementing strategic plans;
- organizing trade events or missions;
- initiatives for promoting products.

The program is not intended to provide individual assistance to businesses; it is aimed at sector associations and business groups to generate spinoffs for the entire industry.

The Ministère de l'Agriculture, des Pêcheries et de l'Alimentation will continue to support the alcoholic beverages sector, notably in the area of reserved designations and added-value claims, as well as structuring projects for the sector, including in the area of research and development.

Report from the MNA for Jean-Lesage on modernizing the RACJ

Acting under a mandate from the Minister of Public Security, the MNA for Jean-Lesage, André Drolet, held 27 meetings with representatives of the alcoholic beverage sector.

The Governement of Québec's objective is to modernize the Régie des alcools, des courses et des jeux du Québec (RACJ) in three phases:

- upgrade its institutional culture;
- review the regulation and monitoring of alcoholic beverages;
- improve follow-up on fundamental issues with the industry.

This initiative, which will take place starting in 2017-2018, will reinforce the ability of the RACJ and its partners to provide a better framework for regulating alcoholic beverages in Québec.

The Québec Economic Plan is already responding to issues raised in the report by announcing measures to support the development of the distillery industry and the adaptation of the brewing industry oversight.

10.4 Québec's financial sector: an important development facilitator

By acting as an intermediary between savers and entrepreneurs, the financial sector contributes to Québec's economic development.

— In 2015, the financial sector had 150 000 employees, representing 4.3% of Québec's jobs and contributing to 6.4% of the province's GDP.

To promote the development of this sector, which is important for Québec's economy, and to improve the regulatory oversight that financial services corporations must deal with, the Québec Economic Plan provides for:

— creating a centre of excellence in financial technologies;

— a five-year extension of tax measures for new financial corporations;

— ongoing improvement of the financial sector oversight.

TABLE B.79

Financial impact of the measures to develop the financial sector
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Creating a centre of excellence in financial technologies	—	−0.5	−1.0	—	—	—	−1.5
Extending tax measures for the creation of new financial corporations	—	—	−0.1	−0.2	−0.4	−0.5	−1.2
Ongoing improvement of the financial sector oversight	—	—	—	—	—	—	—
TOTAL	—	**−0.5**	**−1.1**	**−0.2**	**−0.4**	**−0.5**	**−2.7**

The financial sector: an important contribution to Québec's economy

The financial sector contributes significantly to the growth of Québec's economy.

In 2015, the financial sector accounted for 6.4% of Québec's GDP, contributing $19.9 billion to the economy, including:

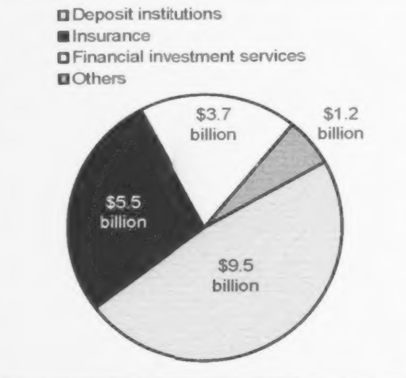
- $9.5 billion from deposit institutions;
- $5.5 billion from the insurance sector;
- $3.7 billion from the financial investment sector.

The financial sector represented 4.3% of jobs in Québec, employing nearly 150 000 people, including:

- 62 948 at deposit institutions;
- 54 834 in the insurance sector;
- 18 845 in financial investment services.

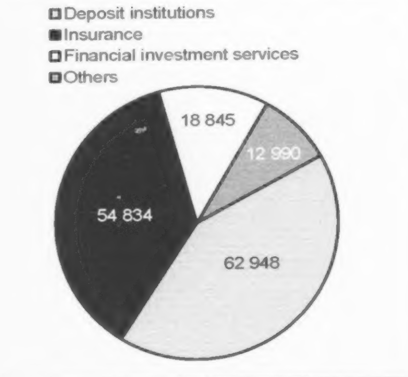
In addition, the financial sector allows Quebecers to accumulate wealth while protecting their assets. It also contributes to the financing of entrepreneurs' projects, allowing them to support and create jobs.

The financial services industry's contribution to the economy – 2015
(billions of dollars)



Source: Institut de la statistique du Québec.

Jobs in the financial services industry – 2015
(number of jobs)



Source: Institut de la statistique du Québec.

10.4.1 Creating a centre of excellence in financial technologies

The financial sector is currently experiencing a period of significant technological advances. Increasingly, financial corporations are integrating information technology into their business models to meet the needs of consumers who quickly adopt new financial technologies (*fintech*).

To support the development of Québec's financial technology industry, the Québec Economic Plan is announcing $1.5 million to be allocated to Finance Montréal over two years for the creation of a centre of excellence for these new technologies.

Québec's information technology stands out internationally, particularly through its world-class expertise in artificial intelligence. The financial sector's interest in the development of technological solutions is strong and represents a significant opportunity for Québec.

The mission of the centre of excellence for financial technologies will be to:

- participate in the development of Québec's financial technology ecosystem based on a vision shared by the sector's different stakeholders;
- adequately support companies operating in this sector or that want to contribute to its growth.

In addition, Finance Montréal will have a mandate to bring in government, institutional or private investors to help finance the centre of excellence.

To this end, additional appropriations of $1.5 million will be allocated to the Ministère des Finances over the two following years: $0.5 million in 2017-2018 and $1 million in 2018-2019. The amounts for 2017-2018 will be drawn from the Contingency Fund.

10.4.2 Five-year extension of tax measures for new financial corporations

Financial sector start-ups face significant competition and strict regulatory demands, which can hinder their growth.

To maintain the government's support of the creation of new corporations in this sector, the Québec Economic Plan provides for an extension until December 31, 2022 of:

— the refundable tax credit relating to a new financial services corporation;

— the refundable tax credit for the hiring of employees by new financial services corporations.

In addition, the extension of these two tax credits will enable foreign specialists employed by a new financial services corporation to benefit from the tax holiday available in this area.

Over the last year, an analysis of tax credits for new financial services corporations has shown the importance of these tax assistance measures in the development of the industry.

The extension of these tax measures will encourage the creation of young businesses and the training of workers in this activity sector, which offers quality jobs.

TABLE B.80

Financial impact of the five-year extension of tax measures for new financial corporations
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Extending tax measures for new financial corporations	—	—	−0.1	−0.2	−0.4	−0.5	−1.2

TABLE B.81

Primary characteristics of tax measures aiming to create new financial corporations and hire new employees by financial corporations – After *The Québec Economic Plan – March 2017*

Targeted companies	New corporations with an establishment in Québec, operating a business with net assets under $15 million. – Corporations must not operate a personal services business, nor can they be tax exempt.
Eligible activities	Services in the following areas are eligible: analysis, research, management, securities advising and trading, and securities investing through an eligible investment dealer. Advisory services in securities or in securities portfolio management carried out by an eligible investment dealer.
Tax benefits	**Refundable tax credit relating to a new financial services corporation** Tax credit equal to 32% of eligible expenditures up to $120 000 per year. – Corporations can only benefit from this fiscal measure over a five-year period, which starts on the date an incorporation certificate takes effect. – An eligible expenditure includes, in particular: fees relating to the constitution of the initial regulatory file or prospectus; fees, dues and expenses paid to a recognized regulatory body; connection and usage fees for an electronic trading solution and fees for a compliance consultant. **Refundable tax credit for the hiring of employees by a new financial services corporation** A tax credit equal to 24% of the qualified wages paid by a corporation during the period of validity of its incorporation certificate, up to $24 000 per employee, per year. – Corporations can only benefit from this fiscal measure over a five-year period, which starts on the date a corporation certificate takes effect. **Tax holiday for foreign specialists employed by a new financial services corporation** This five-year tax holiday is a deduction in the calculation of the employee's taxable income. – The deduction corresponds to 100% for the first and second years of this five-year period, 75% for the third year, 50% for the fourth year and 25% for the fifth year.
Duration	Request for the issuance of a corporation certificate submitted no later than December 31, 2022.

10.4.3 Ongoing improvement of the financial sector oversight

The Québec Economic Plan also provides for the following improvements to maintain efficient oversight of the financial sector in Québec:

- updating the regulatory oversight of insurance;
- maintaining a strong securities regulator.

❑ Updating the regulatory oversight of insurance

Recent technological innovations have not only changed the way we obtain financial products, but they have also influenced business processes in the financial sector.

- The insurance sector is subject to the development of new business models. The use of these new technologies presents major challenges both to insurers and regulatory authorities.

In response to the challenges posed by these new business models, the Québec Economic Plan provides for the updating of the regulatory oversight in the insurance sector.

- For example, the government would like to ensure the protection of consumers' privacy in relation to recourses and certain industry practices, such as genetic testing and the use of big data.
- To follow up on industry demands, the government also intends to focus on certain issues associated with general group insurance, condominium insurance, restrictions on the ownership of general insurance brokerage firms and life insurance policy values.

Improving this sector's regulatory oversight will aim to allow Québec consumers to benefit from these technological advances while maintaining a secure and stable financial sector.

❑ Maintaining a strong securities regulator

Last November, the Attorney General of Québec presented her arguments at the hearing by the Québec Court of Appeal about a reference concerning the proposal put forth by the federal government and certain provincial governments to create a new Canadian securities regulator.

The government intends to pursue its defence of its constitutional authority and maintain a strong regulator in Québec.

The government considers that, beyond questions of constitutionality, a local provincial regulator like the Autorité des marchés financiers is the best way to ensure that investors can invest in Québec's financial market in a just, fair and secure way.

10.5 Tourism as a vector of economic development

The tourist industry is a driving force for major economic, cultural and social development in many Québec regions.

— In 2014, this industry ranked third among Québec export products and represented over 350 000 jobs across 32 000 businesses in its associated sectors.

Over the last few years, the favourable economic situation, in particular, with respect to oil prices and the value of the Canadian dollar, helped Québec increase the revenue from tourism generated not only by foreign, but also Canadian visitors.

— By focusing on its strengths, Québec achieved a strong performance in tourism, a fast-growing industry.

Thus, it is important to continue to invest to better capitalize on current conditions and to be strategically positioned against strong international competition.

❑ Close to $125 million for the tourism industry

In order to boost the tourism industry and to maximize Québec's tourism potential, the Québec Economic Plan provides for:

— a $35 million increase in support for festivals and events;

— continued support for major tourism projects;

— additional investments of $100 million in Sépaq establishments;

— improved access to tourist attractions for persons with reduced mobility;

— an extension of the Fund for major events in Québec City;

— a $15 million plan to develop salmon fishing and sport fishing in Québec.

A total of close to $125 million will be allocated to the tourism sector over the coming years.

TABLE B.82

Financial impact of measures for fostering tourism growth as a vector of economic development
(millions of dollars)

	2016-2017[1]	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Additional support for festivals and events	—	−6.4	−6.7	−7.0	−7.2	−7.6	−34.9
Support for major tourism projects	—	−10.0	−10.0	−10.0	−10.0	−10.0	−50.0
Investments of $100 million in Sépaq establishments	—	−0.3	−1.7	−3.0	−3.9	−4.5	−13.4
Better access to tourist attractions for persons with reduced mobility	−5.0	—	—	—	—	—	−5.0
Extension of the Fund for major events in Québec City	−5.0	—	—	—	—	—	−5.0
Québec salmon fishing and sport fishing development plan	—	−3.0	−3.0	−3.0	−3.0	−3.0	−15.0
TOTAL	**−10.0**	**−19.7**	**−21.4**	**−23.0**	**−24.1**	**−25.1**	**−123.3**

(1) The subsidies granted in 2016-2017 support the funding of new initiatives.

10.5.1 $35 million increase in support for festivals and events

Festivals and events play an important role in the economy of many regions and enhance the profile and attractiveness of Québec as a tourist destination.

Taking this contribution into account in terms of what the Québec regions have to offer to tourists, *The Québec Economic Plan – October 2016 Update* announced the government's intention to support festivals and events.

To accomplish this, the Québec Economic Plan confirms an additional investment of close to $35 million for festivals and events over the next five years. In particular, this new investment will:

— support the growth potential of major events;

— fund new festivals and events;

— fund events based on their tourism performance;

— promote new innovative projects.

The new conditions of the Aide financière aux festivals et aux évènements touristiques component of the Programme de développement de l'industrie touristique will maximize the economic impact of the financial assistance granted by:

- more fully encouraging tourism performance and providing increased support for initiatives that take place off-season and outside the major centres;
- giving priority to multi-year agreements for performing festivals and events to ensure they have the stability they need to develop;
- financially supporting studies on where visitors come from and tourist numbers for festivals and events.

Additional appropriations of $6.4 million in 2017-2018, $6.7 million in 2018-2019, $7 million in 2019-2020, $7.2 million in 2020-2021, and $7.6 million in 2021-2022 will be allocated to the Ministère du Tourisme.

10.5.2 Support for major tourism projects

The Program Supporting the Development of Tourist Attractions (PADAT)[15] is widely appreciated and used by the tourism industry throughout all of Québec's regions.

Launched in 2012, PADAT has proved its relevance and effectiveness in generating tourism projects. It also represents considerable financial leverage for tourism projects, namely with financial institutions and private partners.

- During its first four years of existence, over 40 projects received financial assistance from PADAT, representing a total investment of $209 million.

With the aim of promoting the implementation of major tourism projects, the Québec Economic Plan provides for:

- the extension of the PADAT to March 31, 2022;[16]
- an additional $50 million in the PADAT envelope distributed over a five-year period;
- the addition of a component to grant subsidies and review the program's parameters, namely to target larger projects.

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[15] This program, initiated by the Ministère du Tourisme, is managed and administered by Investissement Québec.

[16] PADAT was originally set to end on March 31, 2018.

With this new funding, PADAT initiatives will reach $126 million over the next five years.

TABLE B.83

Initiatives provided for within the new funding of the Program Supporting the Development of Tourist Attractions
(millions of dollars)

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Current initiative envelope – loans and loan guarantees	15.0[1]	—	—	—	—	15.0
New initiative envelope						
– Loans and loan guarantees	5.0	20.0	20.0	20.0	20.0	85.0
– Subsidies	10.0	4.0	4.0	4.0	4.0	26.0
TOTAL	**30.0**	**24.0**	**24.0**	**24.0**	**24.0**	**126.0**
Financial impact[2]	−10.0	−10.0	−10.0	−10.0	−10.0	−50.0

(1) For 2017-2018, appropriations of $6 million were already provided for within the government financial framework, for initiatives in the order of $15 million.
(2) Corresponds to the amount of the provision for initiatives in the form of loans and loan guarantees as well as subsidies.

☐ Review of PADAT standards to help promote major investment projects in tourism

The PADAT experience has helped to identify certain challenges associated with major investment projects, both with regard to the level of financial assistance and the financial tools available for certain types of projects, namely for major tourism projects.

In order to meet the needs of major investment projects, PADAT conditions will be amended so that allow:

— financial support in the form of subsidies, with the aim of supplementing the funding of certain projects;

— the allocation of financial assistance of up to $5 million per project.

As stated in the current conditions, projects will have to receive a positive sectional notice from the Ministère du Tourisme and a positive financial analysis from Investissement Québec to obtain funding.

Furthermore, other government economic development leverage tools may be used as supplementary funding, namely for larger tourism projects.

Additional appropriations of $10 million per year will be disbursed to the Economic Development Fund of the Ministère de l'Économie, de la Science et de l'Innovation from 2017-2018 to 2021-2022. The amounts for 2017-2018 will be drawn from the Contingency Fund.

10.5.3 Investments of $100 million in Sépaq establishments

The mission of the Société des établissements de plein air du Québec (Sépaq) is to ensure the accessibility, promotion and protection of the public lands and equipment entrusted to it by the government. As part of its mandate, Sépaq operates and manages national parks, wildlife reserves and tourist centres that contribute in a significant way to the economy of various Québec regions.

The Québec Economic Plan provides for an investment of $100 million over a five-year period to help Sépaq maintain and enhance its role as a regional economic engine:

- $51.1 million for the promotion of built heritage;
- $43.6 million for the development of new tourist infrastructures;
- $5.3 million for an environmental management plan.

TABLE B.84

Investments of $100 million in Sépaq establishments
(millions of dollars)

	2017-2018 to 2021-2022
Promotion of Sépaq's built heritage	51.1
Development of new tourist infrastructures	43.6
Environmental management plan	5.3
TOTAL	**100.0**

❑ Important investment in rural areas

The investment in Sépaq's network will be distributed across the entire province of Québec, thus creating wealth and securing quality jobs in rural areas.

- Promoting Sépaq assets will help meet infrastructure maintenance needs so that Sépaq can continue to offer a high-quality tourism product, while ensuring the safety and comfort of visitors.
- Improving tourism offerings will help increase visits to its facilities and generate significant economic spinoffs for a number of communities.
- Sépaq's ecological footprint will be reduced, thanks in part to the installation of solar panels that will produce energy for some 300 cottages. In addition to lowering Sépaq's fossil-fuel energy consumption and thus reducing its operating costs, this new equipment will help promote public awareness of sustainable development.

This new investment will be comprised of $25 million in self-financing by Sépaq from revenues generated through new projects and $75 million in funding through a government contribution.

Additional appropriations of $0.3 million in 2017-2018, $1.7 million in 2018-2019, $3 million in 2019-2020, $3.9 million in 2020-2021, and $4.5 million in 2021-2022 will be disbursed to the Ministère des Forêts, de la Faune et des Parcs. The amounts for 2017-2018 will be drawn from the Contingency Fund.

10.5.4 Better access to tourist attractions for persons with reduced mobility

Few tourist sites offer access to persons with reduced mobility. Only 3% of the 9 418 active tourist accommodation establishments and 11% of the 4 400 active attractions can be considered "accessible" or "partially accessible."

In order to support the development of tourist and cultural destinations with the aim of making them more accessible to persons with reduced mobility, the Québec Economic Plan provides for $5 million for Kéroul, a not-for-profit organization.

— Kéroul, a preferred partner of the Ministère du Tourisme with regard to accessibility founded in 1979, has tasked itself with making tourism and culture more accessible to persons with limited physical ability.

This new investment will provide classified tourist accommodation establishments and tourist attractions with funding for a portion of the cost of the repair work to upgrade or improve their infrastructure.

The Kéroul organization will be mandated by the Ministère du Tourisme to assess the degree of accessibility of tourist establishments in Québec, based on its own performance scale.[17]

As a result, over 800 000 persons with a physical disability will enjoy a greater variety of tourist destinations.

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[17] The assessment of an establishment determines the degree of accessibility to persons with a motor disability or a visual or hearing impairment, based on five accessibility ratings. The operator receives a sticker for display at the entrance of their establishment, according to their degree of accessibility. Various communication methods and tools intended for tourism clients also serve to advertise certified businesses and their accessibility rating.

10.5.5 **Extension of the Fund for major events in Québec City**

Québec City has developed an international reputation over the years by holding major artistic and sporting events, such as the Image Mill, World Cup Hockey and the Québec City Summer Festival. These large-scale shows have become Québec City's signature elements and have generated significant economic benefits for the national capital.

In this regard, Québec City wishes to continue its efforts to diversify and enhance its offering of major international cultural and sporting events through various partnerships.

With a view to encouraging the efforts of Québec City to make it more attractive to tourists, the Québec Economic Plan provides for $5 million in financial assistance to hold major events in the national capital.

10.5.6 **A $15 million plan to develop salmon fishing and sport fishing in Québec**

Québec boasts unlimited bodies of water where one can fish, making it a destination of choice for anglers from around the world. As a result, several Québec regions benefit considerably from the economic activity generated by fishing.

- In particular, salmon fishing, practised by nearly 15 000 anglers, generates an estimated $50 million in annual economic benefits.

Yet, in order to preserve the preferred status of this activity as a tourist destination, it is vital to continue offering superior fishing and to promote it. Accordingly, the Québec Economic Plan provides for an investment of $15 million over a five-year period for the development of Atlantic salmon fishing and sport fishing in Québec.

In particular, the amounts allocated to activities that specifically support the development of salmon fishing will help:

- develop sectors that are currently inaccessible to anglers;
- restore and build reception, access and accommodation infrastructure;
- conduct market studies.

The salmon fishing development plan will be the result of close co-operation between the Ministère des Forêts, de la Faune et des Parcs and industry stakeholders, namely the new Fédération québécoise pour le saumon atlantique.[18]

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[18] The new federation is the result of the merger between the Fédération québecoise pour le saumon atlantique (FQSA) and the Fédération des gestionnaires de rivières à saumon du Québec (FGRSQ).

In addition, with regard to sport fishing, the investment will help develop, among other things:

— fishing in the Saint Lawrence River;

— a new generation of anglers;

— winter fishing.

Additional appropriations of $3 million per year will be allocated to the Ministère des Forêts, de la Faune et des Parcs between 2017-2018 and 2021-2022. The amounts for 2017-2018 will be drawn from the Contingency Fund.

TABLE B.85

Financial impact of the Québec salmon fishing and sport fishing development plan
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Development of salmon fishing	—	−2.0	−2.0	−2.0	−2.0	−2.0	−10.0
Development of sport fishing	—	−1.0	−1.0	−1.0	−1.0	−1.0	−5.0
TOTAL	**—**	**−3.0**	**−3.0**	**−3.0**	**−3.0**	**−3.0**	**−15.0**

10.6 $231 million to protect the environment, wildlife, and our renewable resources

The government believes that economic and social prosperity is tied to Québec's ability to maintain a healthy environment. That is why it continues to take action on sustainable development and advocates for a greener economy.

Initiatives aimed at preventing environmental risks, preserving and improving the environment and encouraging environmentally friendly behaviours are vital to a society's economic growth.

Québec became a pioneer in this respect when it adopted the Sustainable Development Act in 2006 and implemented environmental tax measures several years ago that had a tangible impact on both the environment and the economy.

In order to support the efforts currently under way, the Québec Economic Plan provides for more than $230 million in the following areas:

— promoting environmentally responsible behaviour;

— expanding the natural gas distribution system;

— preventing the risks associated with coastal erosion;

— improving water management and water quality;

— protecting the wildlife and preserving the biodiversity of Québec's territory;

— renewing resources.

TABLE B.86

Financial impact of measures to protect the environment, wildlife, and our renewable resources
(millions of dollars)

	2016-2017[1]	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Promoting environmentally friendly behaviours	—	−12.9	−13.7	−14.3	−14.6	−14.9	−70.4
Expanding the natural gas distribution system	—	—	—	—	—	—	—
Preventing risks associated with coastal erosion	—	−5.0	−10.0	−10.0	−10.0	−10.0	−45.0
Improving water management and quality	—	−6.0	−9.0	−10.0	−11.0	−10.0	−46.0
Protecting wildlife and preserving Québec's biodiversity	−15.0	−5.0	−6.5	−8.0	−6.0	−6.0	−46.5
Investing in the renewal of our resources	−10.0	−2.5	−3.1	−3.5	−3.2	−1.2	−23.5
TOTAL	**−25.0**	**−31.4**	**−42.3**	**−45.8**	**−44.8**	**−42.1**	**−231.4**

(1) The subsidies granted in 2016-2017 enable new initiatives to be funded.

10.6.1 $70 million to promote environmentally responsible behaviours

The government hopes to encourage people to behave in an environmentally responsible behaviour. To that end, the Québec Economic Plan provides the following incentives:

— a refundable tax credit for bringing a residential waste water treatment system up to standard;

— assistance for biofuel production.

TABLE B.87

Financial impact of measures to promote environmentally friendly behaviours
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Refundable tax credit for bringing a residential waste water treatment system up to standard	—	−9.7	−12.0	−14.3	−14.6	−14.9	−65.5
Promote the production of biofuels	—	−3.2	−1.7	—	—	—	−4.9
TOTAL	**—**	**−12.9**	**−13.7**	**−14.3**	**−14.6**	**−14.9**	**−70.4**

☐ Refundable tax credit for bringing a residential waste water treatment system up to standard

■ Outdated residential sanitation facilities

Many individuals in Québec, especially in rural areas, own a home that is not connected to either a municipal sewage treatment system or a community sewage treatment facility for domestic sewage.

— Those homes have to be connected to individual facilities for the disposal, reception and treatment of domestic waste water to ensure proper sanitation and preserve the environment.

However, the septic systems of many of those homes are outdated and no longer meet the current environmental or building standards.

— Among other things, deficient systems could contaminate drinking water supply sources as well as surface water. This poses a risk to public health and the environment.

- **Support to rehabilitate septic systems**

A number of cities and municipalities have adopted a response planning approach so that their dwellings meet the current environmental standards for home sanitation systems.

However, a number of homeowners may discover that the cost of upgrading an outdated septic system can be substantial.

— In fact, it can vary from $6 000 to $27 000 per dwelling based on the type of dwelling, the type of soil and the scope of the work.

- **Tax assistance to protect the environment**

In order to encourage the replacement of outdated septic systems, especially in the regions, *The Québec Economic Plan – March 2017* provides for a refundable tax credit over a five-year period to bring residential waste water treatment facilities up to standard.

Isolated residences bordering on lakes and rivers that have a defective septic system release phosphates and bacteria that contaminate surface water.

— Indeed, waste water from an isolated residence can contaminate sources of drinking water as well as surface water, thus causing a proliferation of cyanobacteria (blue-green algae) and other pathogens.

- **Financial assistance of up to $5 500**

The refundable tax credit for bringing a residential waste water treatment system up to standard will provide support to taxpayers at 20% of their eligible expenses that exceed $2 500, up to a maximum of $5 500.

For example, an owner spending $15 000 on repair work to bring the sanitation systems in his home up to standard will receive $2 500 in financial assistance.

— If the cost of the renovation work reaches $30 000, the tax assistance may total $5 500.

TABLE B.88

Value of tax credit based on expenses
(in dollars)

Total expenses	Excluded expenses	Eligible expenses	Value of tax credit
2 500	2 500	—	—
5 000	2 500	2 500	**500**
10 000	2 500	7 500	**1 500**
15 000	2 500	12 500	**2 500**
20 000	2 500	17 500	**3 500**
25 000	2 500	22 500	**4 500**
30 000	2 500	27 500	**5 500**

The tax initiative will apply to residential dwellings that are not connected to a municipal sewer system.

— The tax credit can apply to both a primary and secondary residence, provided the latter is suitable for year-round occupancy and is usually owner-occupied.

Moreover, repair of a septic system must be carried out by a qualified contractor.

TABLE B.89

Main parameters of the refundable tax credit for bringing residential waste water systems up to standard

Minimum level of eligible expenses	$2 500
Eligible expenses to qualify for maximum financial assistance	$30 000
Tax credit rate	20%
Maximum amount of financial assistance	$5 500
Terms for execution of work	Performed by a qualified contractor
Types of eligible renovations	Renovation, modification or rebuilding of a residential system for the discharge, collection or treatment of waste water, toilet effluents or grey water in accordance with the Regulation respecting waste water disposal systems for isolated dwellings
Period for concluding an agreement with a contractor	Five-year period beginning April 1, 2017
Eligible dwellings(1)	Principal and secondary residences inhabitable year-round, generally occupied by the individual

(1) Work must be done on an isolated dwelling, as per the definition in section 1 of the Regulation respecting waste water disposal systems for isolated dwellings.

- **Tax assistance of more than $65 million over five years**

The refundable tax credit for bringing residential waste water systems up to standard represents $65.5 million in assistance to some 32 000 taxpayers over the next five years.

— A large number of these taxpayers live outside major urban centres and this assistance will allow them to maintain their living environment.

TABLE B.90

Financial impact of the refundable tax credit for bringing residential waste water systems up to standard

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Number of recipients	5 000	6 000	7 000	7 000	7 000	**32 000**
Financial impact ($million)	−9.7	−12.0	−14.3	−14.6	−14.9	**−65.5**

❑ Promote the production of biofuels

In the 2030 Energy Policy, introduced on April 7, 2016, the government made clear its desire to make Québec a North American leader in renewable energy and energy efficiency by 2030. To realize this objective, the government plans to foster biofuel production development in Québec.

Specifically, this new energy policy provides for the following with regard to biofuels:

- the implementation of requirements to use renewable content in gasoline and diesel fuel sold in Québec. These requirements will be increased gradually according to the renewable-fuel production capacity of Québec companies; and
- support for potential commercial biorefinery builders.

In the budget speech delivered on April 21, 2005, a temporary refundable tax credit was introduced for the production of ethanol in Québec.

- This tax credit is granted for a period of up to ten years, beginning no earlier than April 1, 2006 and ending no later than March 31, 2018.[19]
- The maximum amount of the tax credit for any given month is $0.185 per litre. However, bearing in mind certain reduction factors, the tax credit will not be granted in any month in which the average price of crude oil[20] is greater or equal to US$65.

With the aim of facilitating the 2030 Energy Policy directions, the Québec Economic Plan provides for the following temporary measures:

- elimination of the ten-year limit on eligibility for the refundable tax credit for the production of ethanol; and
- inclusion of biodiesel in the definition of eligible production.[21]

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[19] No financial support will be granted for ethanol production after March 31, 2018.

[20] The arithmetic mean of daily closing prices for a barrel of oil from West Texas Intermediate, Oklahoma (WTI-Cushing), over a given month on the New York Mercantile Exchange (NYMEX), in US dollars.

[21] Biodiesel is a renewable, oxygenated fuel made from esters or ethers derived from vegetable oil or animal fat.

The modifications to the tax credit constitute an increase of $4.9 million in tax assistance with regard to biofuels produced in Québec.

TABLE B.91

Financial impact of promoting the production of biofuels
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Promote the production of biofuels	—	−3.2	−1.7	—	—	—	−4.9

10.6.2 Expanding the natural gas distribution system

Natural gas is a profitable transition energy for Québec that contributes to the reduction of greenhouse gases. In the coming years, it could play an increasingly important role in supporting Québec's economic development and the competitive position of its companies worldwide.

Under *The Québec Economic Plan – March 2015*, the government allocated an envelope of $38 million to the Green Fund for projects extending the natural gas distribution network. This amount was granted to the Ministère de l'Énergie et des Ressources naturelles.

- $17.5 million of this funding allowed for the extension of the gas pipeline from Lévis to Sainte-Claire in the RCM of Bellechasse. The project was inaugurated in January 2017.
  - This 72-km extension will allow some 100 buildings to be connected to the natural gas distribution network and encourage new investments in the region, in addition to reducing greenhouse gas emissions in the region by 8 600 tons.

The Québec Economic Plan intends to ease investment standards to accelerate the extension of the natural gas distribution network in more regions across Québec. Thus, the $20.5 million envelope available to the Green Fund will be used to carry out additional extension projects.

The government aims to complete the following projects:

- a project in Thetford Mines in the RCM of Appalaches;
- a project in Saint-Éphrem-de-Beauce in the RCM of Beauce-Sartigan;
- a project in Saint-Marc-des-Carrières in the RCM of Portneuf.

Funded projects will include the participation of the natural gas distributor, the federal government or the communities.

- — These investments in the extension of the natural gas distribution network will prevent an impact on fees paid by consumers.

The extension of these gas pipelines will have positive economic and environmental spinoffs for all of these regions.

The Minister of Energy and Natural Resources will announce the selected projects at a later date.

10.6.3 $45 million to help municipalities prevent the risks associated with coastal erosion

Adverse climate events have a major impact on the Saint Lawrence River and its tributaries. These events constitute a serious threat to the longevity and safety of patrimony built along the riverside.

Coastal erosion and submersion particularly affect the Côte-Nord, Bas-Saint-Laurent and Gaspésie–Îles-de-la-Madeleine regions, which have over 3 250 km of shoreline.

This problem is getting worse, increasingly threatening the safety of infrastructure and buildings in approximately 100 communities. This problem could have major economic and social repercussions and carry risks for the safety of citizens.

The Cadre pour la prévention de sinistres (natural disaster prevention framework) 2013-2020, which is funded with an envelope of nearly $97 million, supports efforts taken by municipalities to manage the risks associated with coastal erosion and submersion, flooding, landslides, earthquakes and forest fires.

Commitments have been made over the past few years in order to provide funding for the following:

- — improvement of knowledge about erosion and coastal submersion phenomenons;
- — land-use planning through the mapping of constrained areas;
- — the evaluation and determination of risks.

However, more effort is needed to evaluate and implement adaptation and mitigation measures, including the building of protection structures.

It is difficult for small municipalities to afford to carry out the work necessary to ensure the long-term safety of people and infrastructure affected by shoreline erosion.

Given this situation, the Québec Economic Plan provides for additional assistance to municipalities for work to prevent and mitigate risks associated with coastal erosion and submersion.

To this end, additional appropriations of $5 million will be granted in 2017-2018, and $10 million per year for the next four years will be granted to the Ministère de la Sécurité publique. The amounts for 2017-2018 will be drawn from the Contingency Fund.

10.6.4 Improving water management and quality

Québec's territory is 10% fresh water. With tens of thousands of rivers and over 3 million bodies of water, Québec houses 3% of the world's renewable fresh water reserves. Nearly 40% of this water is concentrated in the Saint Lawrence watershed. Québec must preserve this collective asset.

Although improvements have been noted, additional measures are needed to consolidate the gains of recent years and implement new promising initiatives.

In addition to regulations and interventions put in place to preserve water resources, the Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques (MDDELCC) intends to present a new Québec Water Strategy 2017-2032, which will aim to strengthen water management measures and the protection of drinking water sources in order to provide quality water to Québec's residents.

In order to maintain efforts to protect this major resource, the Québec Economic Plan includes investments to:

- improve protection of drinking water sources;
- enhance knowledge regarding groundwater.

TABLE B.92

Financial impact of measures to improve water management and quality
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Improve protection of drinking water sources	—	−5.0	−7.0	−8.0	−9.0	−8.0	−37.0
Enhance knowledge regarding groundwater	—	−1.0	−2.0	−2.0	−2.0	−2.0	−9.0
TOTAL	—	**−6.0**	**−9.0**	**−10.0**	**−11.0**	**−10.0**	**−46.0**

❑ Improve protection of drinking water sources

Québec undertook to improve its record of protecting drinking water sources by adopting the Water Withdrawal and Protection Regulation (WWPR) in July 2014.

- — Under the requirements set out in the WWPR, municipalities will have until 2021 to conduct an assessment of the vulnerability of their drinking water sources.

The WWPR regulates the quality and supply of drinking water, from treatment to the tap. It applies to underground, river and lake sources.

The Québec Economic Plan provides for $37 million in funding over five years to help municipalities meet their obligations.

This funding will allow for:

- — the assessment of the vulnerability of drinking water sources by municipalities;
- — the compensation of agricultural producers affected by the new water source protection measures set out in the WWPR; and
- — the implementation of municipal measures to protect drinking water sources.

In this regard, additional appropriations of $5 million in 2017-2018, $7 million in 2018-2019, $8 million in 2019-2020, $9 million in 2020-2021, and $8 million in 2021-2022 will be allocated to the MDDELCC. The amounts for 2017-2018 will be drawn from the Contingency Fund.

❑ Enhance knowledge regarding groundwater

Québec's Programme d'acquisition de connaissances sur les eaux souterraines (groundwater knowledge acquisition program; PACES) was introduced in 2008 in order to acquire an accurate, concrete picture of the groundwater resources in southern Québec's municipal areas in the aim of protecting and ensuring the sustainability of these resources.

- — To date, the PACES covers 75% of southern Québec's municipal areas.

The government hopes to improve its understanding of groundwater resources in Québec, which serve as a source of drinking water for over 25% of the province's population.

To complete coverage of the municipal area, the government will allocate $9 million to implement a new phase of the PACES.

- — The government will invest in specific projects in certain regions of Québec, including the Îles-de-la-Madeleine and Cree territories.

To do so, additional appropriations of $1 million in 2017-2018 and $2 million annual for the next four years will be allocated to the MDDELCC. The amounts for 2017-2018 will be drawn from the Contingency Fund.

10.6.5 $47 million to protect wildlife and preserve Québec's biodiversity

For nearly 150 years, Québec has actively committed to protecting its wildlife and flora in order to ensure the survival of all species on its territory and limit the impact of human activity on these species and their habitats.

However, the immensity of Québec's territory makes it especially difficult to ensure optimal coverage; protect species, especially caribou, from poaching; and guard habitats against unauthorized works.

In order to protect wildlife and preserve biodiversity in Québec, the Québec Economic Plan provides for $46.5 million in supplementary funding for:

- the establishment of protected areas on private land;
- a caribou population management plan;
- investment in the protection of wildlife.

TABLE B.93

Financial impact of measures to protect wildlife and preserve biodiversity in Québec
(millions of dollars)

	2016-2017[1]	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Establishment of protected areas on private land	−15.0	—	—	—	—	—	−15.0
Caribou population management plan	—	−2.0	−2.5	−2.5	—	—	−7.0
Investment in the protection of wildlife	—	−3.0	−4.0	−5.5	−6.0	−6.0	−24.5
TOTAL	**−15.0**	**−5.0**	**−6.5**	**−8.0**	**−6.0**	**−6.0**	**−46.5**

(1) The subsidies granted in 2016-2017 will enable new initiatives to be funded.

❑ Establishment of protected areas on private land

A protected area is an area of land or water with precise geographic boundaries that is governed by a legal and administrative framework in order ensure the protection and maintenance of its biodiversity and associated natural and cultural resources.

— The protected area classification aims to meet specific objectives for the preservation of ecosystems through the establishment of preservation measures such as the purchase of land, the elimination of invasive plants and the mapping of the habitats of rare species.

The government has committed to establishing protected areas on 17% of land and internal waters and in 10% of marine areas by 2020.

As a result, the government will enter into an agreement with Nature Conservancy of Canada (NCC). Under this agreement, amounts invested by NCC will be matched by Québec.

— The Québec Economic Plan sets aside $15 million:

  — $13 million for the acquisition of or perpetual easement for natural environments;

  — $2 million for the acquisition of know-how and education.

This amount of $15 million provided by the Québec government will generate an additional investment of $30 million through the matching of that amount by the federal government's Natural Areas Conservation Program, which is managed by NCC.

— As a result, $45 million will be allocated to the protection of biodiversity on private land in Québec.

Nature Conservancy of Canada

Nature Conservancy of Canada is a Québec and Canadian leader in the protection and conservation of important natural environments and in biodiversity preservation.

Since 1962, this charity has protected over 1.2 million hectares of exceptional environments in Canada, 40 000 of which are found in Québec.

Sites such as the Sutton Mountains, the Jean-Paul-Riopelle Nature Reserve and the Érable-Noir ecological reserve are some of the areas that have been protected or are in the process of becoming protected.

❑ Caribou population management plan

Woodland caribou populations have experienced a sharp decline in recent decades, so much so that the hunting of this species was outlawed completely in 2001. However, the caribou remains vulnerable, largely due to poaching and habitat disturbance.

In response to this issue, the government published its action plan for woodland caribou habitat management in 2016.

To support caribou protection measures taken by the Ministère des Forêts, de la Faune et des Parcs, the Québec Economic Plan provides for additional funding of $7 million over the next three years.

This funding will enable the implementation of a caribou population management plan, which serve as a foundation for the success of the action plan, thereby helping to rehabilitate the species. For example:

— an aerial inventory of the number of caribou will be conducted. This measure will also contribute to increased understanding of the caribou's habitat. The observations made will enable the implementation of more precisely targeted measures to optimize caribou protection;

— new boreal forest managements practices will be tested in the aim of reducing disturbance to the caribou's habitat.

Additional appropriations of $2 million in 2017-2018 and $2.5 million in 2018-2019 and 2019-2020 will be allocated to the Ministère des Forêts, de la Faune et des Parcs. The amounts for 2017-2018 will be drawn from the Contingency Fund.

❑ A $25 million investment in the protection of wildlife

The protection of wildlife is an important issue for the Québec government. Québec was the first Canadian province to establish a force of wildlife protection officers 150 years ago.

On the 150th anniversary of the appointment of Québec's first gamekeepers and fish wardens, the Québec Economic Plan provides for $24.5 million over five years to better protect wildlife.

The investment will enable, over time:

— the hiring of 40 additional wildlife protection officers and optimization of current resources;

— the hiring and training of Aboriginal wildlife protection officers in the North.

Québec's territory is more accessible than ever. Consequently, it is crucial to have more wildlife protection officers in place, including from Aboriginal communities, and to have access to adequate equipment in order to efficiently protect wildlife.

For this purpose, additional appropriations of $3 million in 2017-2018, $4 million in 2018-2019, $5.5 million in 2019-2020, and $6 million in 2020-2021 and 2021-2022 will be provided to the Ministère des Forêts, de la Faune et des Parcs. The amounts for 2017-2018 will be drawn from the Contingency Fund.

10.6.6 Investing $41 million in the renewal of our resources

The government plays a major role in the protection, conservation and development of Québec's natural resources.

More specifically, to fulfil its obligations concerning sustainable management of forests and aquatic wildlife, the government relies on public and private infrastructures that produce millions of forest saplings and fish.

In order to increase the productivity of these infrastructures and promote the regeneration of resources, the Québec Economic Plan calls for investments of $40.7 million over five years, including:

- $13.4 million to optimize the government's fish production;
- $17.3 million to improve forest sapling production infrastructures;
- $10 million to step up the fight against the spruce budworm in private forests.

TABLE B.94

Financial impact of resource renewal measures
(millions of dollars)

	2016-2017[1]	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
$13 million to optimize the government's fish production[2]	—	—	−0.3	−0.6	−0.7	−0.7	−2.3
$17 million to improve forest sapling production infrastructures[2]	—	−2.5	−2.8	−2.9	−2.5	−0.5	−11.2
$10 million to step up the fight against the spruce budworm in private forests	−10.0	—	—	—	—	—	−10.0
TOTAL	**−10.0**	**−2.5**	**−3.1**	**−3.5**	**−3.2**	**−1.2**	**−23.5**

(1) The subsidies granted in 2016-2017 ensure the funding of new initiatives.
(2) These measures are included in the 2017-2027 Québec Infrastructure Plan.

❑ $13 million to optimize the government's fish production

The government's fish farms produce between 10 and 15 million fish each year, used mainly to stock Québec's various bodies of water.

To upgrade these facilities, the Québec Economic Plan calls for investments of $13.4 million over the next three years, to be made as part of the 2017-2027 Québec Infrastructure Plan.

These investments will allow for:

- construction of a new extension to the Baldwin-Coaticook station in the Estrie region, to accommodate the fish production of the Lac-des-Écorces station, located in the Laurentides region;
- modernization of the Tadoussac station in the Côte-Nord region to optimize production and preserve this historic heritage.

Modernization and optimization of government fish farms will improve efficiency and reduce production costs in these facilities. In addition, the investments will support the development and consolidation of Québec's scientific expertise in the area of fish production, especially in the Estrie and Côte-Nord regions.

To this effect, additional appropriations of $0.3 million in 2018-2019, $0.6 million in 2019-2020, and $0.7 million a year in 2020-2021 and 2021-2022 will be provided to the Ministère des Forêts, de la Faune et des Parcs.

❑ $17 million to improve forest sapling production infrastructures

Silviculture is a powerful means of leveraging Québec's forest potential. The government provides 350 million seeds annually to produce some 130 million resinous and hardwood saplings each year.

As for private nurseries, they provide almost 70% of all resinous sapling production in Québec. They are the main suppliers to the lumber and pulp and paper industries.

To maintain Québec's forestry production, the Québec Economic Plan calls for investments of $17.3 million over the next four years to modernize public and private nursery production facilities. These investments will be made as part of the 2017-2027 Québec Infrastructure Plan.

To update equipment and modernize forestry production infrastructures:

- $3.1 million will be invested annually from 2017-2018 to 2019-2020 in the public production of forest saplings;
- $2 million will be invested annually in the private production of forest saplings from 2017-2018 to 2020-2021.

TABLE B.95

Investments in the production of forest saplings in Québec
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Investments in public nurseries	—	3.1	3.1	3.1	—	—	9.3
Investments in private nurseries	—	2.0	2.0	2.0	2.0	—	8.0
TOTAL	**—**	**5.1**	**5.1**	**5.1**	**2.0**	**—**	**17.3**

These measures will also preserve close to 2 000 jobs in the sapling production sector, in addition to fulfilling new government environmental guidelines, including in the areas of refrigerant gas and non-toxic organic waste management.

For this purpose, additional appropriations of $2.5 million in 2017-2018, $2.8 million in 2018-2019, $2.9 million in 2019-2020, $2.5 million in 2020-2021, and $0.5 million in 2021-2022 will be provided to the Ministère des Forêts, de la Faune et des Parcs. The amounts for 2017-2018 will be drawn from the Contingency Fund.

☐ $10 million to step up the fight against the spruce budworm

Private forests are a major pillar of the Québec economy, particularly in the regions. They support close to 25 000 direct jobs and generate annual sales of $2.5 billion. In addition, private forests contribute close to 20% of the supply to Québec's wood processing plants.

In the last 30 years, the government and private producers have carried out several plantations and other silviculture work in or near small private forests in Québec. However, the investments made and the renewal of this resource could be jeopardized by damage caused by the spruce budworm.

In this context, the Québec Economic Plan calls for a $10 million contribution to the Société de protection des forêts contre les insectes et les maladies (SOPFIM) to protect private forests against the spruce budworm in coming years.

This additional allocation to SOPFIM will go toward a targeted intervention plan for private forest areas at risk of being affected by the spruce budworm, to be conducted in collaboration with industry stakeholders, including the Fédération des producteurs forestiers du Québec.

10.7 $85 million to encourage sustainable mobility in the transportation sector

Transportation plays a critical role in achieving Québec's objectives when it comes to petroleum product consumption and greenhouse gas (GHG) emissions.

— Québec's transportation industry alone consumes 75% of all petroleum products used for energy purposes and is responsible for almost half of all GHG emissions.

In order to support the transition to a low-carbon economy and the government's objectives in the area of transportation electrification, the Québec Economic Plan will invest a total of $85 million to:

— support the development of the new cluster of electric and intelligent vehicles;

— encourage the acquisition and use of electric vehicles, including by extending the Roulez vert program;

— revise the additional registration fee for luxury vehicles;

— enhance and extend the Écocamionnage program;

— support off-road emergency response services.

These measures will help consolidate Québec's status as a leader in renewal energies, energy efficiency, and innovation.

TABLE B.96

Financial impact of measures to encourage sustainable mobility in the transportation industry

(millions of dollars)

	2016-2017(1)	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
New industrial cluster of electric and intelligent vehicles	—	−0.5	−0.6	−1.1	−1.1	−1.1	−4.4
Extend the Roulez vert program	−2.6	−42.6	−23.6	—	—	—	−68.8
Promote the purchase of fully electric used vehicles via a pilot project	—	−4.0	—	—	—	—	−4.0
Revision of the additional registration fee for luxury vehicles	—	—	—	—	—	—	—
Enhancement and extension of Écocamionnage program	—	−1.0	−1.0	−1.0	−0.8	—	−3.8
Program to support off-road emergency response services	—	−3.6	—	—	—	—	−3.6
TOTAL	**−2.6**	**−51.7**	**−25.2**	**−2.1**	**−1.9**	**−1.1**	**−84.6**

(1) The subsidies granted in 2016-2017 will enable new initiatives to be funded.

10.7.1 New industrial cluster of electric and intelligent vehicles

Québec plans to take advantage of the increase in electric vehicle sales and the great potential for technological progress to position itself as a global leader in the area of transportation electrification. These efforts will allow Québec to continue its fight against climate change by decreasing greenhouse gas emissions.

Because intelligent transportation technologies are rapidly evolving, Québec will rely on its recognized expertise in these areas to position itself as a world leader in the field of intelligent vehicles.

To make good on its intention to develop its own industrial sector engaged in electric and intelligent vehicles, as called for in the Transportation Electrification Action Plan 2015-2020, the Québec Economic Plan calls for additional appropriations of $4.4 million over the next five years to support the operation of the industrial cluster of electric and intelligent vehicles and fund priority projects.

The activities of the cluster will be funded in partnership with the main stakeholders of this industry. The objectives will be achieved through a collaborative approach with industry organizations and the development of partnerships with other industrial clusters active in Québec.

The cluster will be used to mobilize all industry stakeholders around coordinated projects aimed at positioning Québec at the forefront of the development and transition of ground transportation methods toward electric and intelligent transportation, including by:

- actively supporting the main initiatives of industry stakeholders;
- making use of existing sectoral and regional expertises;
- supporting new collaboration opportunities;
- supporting the promotion of Québec achievements.

To this end, additional appropriations of $4.4 million will be provided over the next five years to the Ministère de l'Économie, de la Science et de l'Innovation, including $0.5 million in 2017-2018, $0.6 million in 2018-2019, and $1.1 million each year from 2019-2020 to 2021-2022.

The Ministère de l'Économie, de la Science et de l'Innovation and the Ministère des Affaires municipales et de l'Occupation du territoire will work jointly on the implementation of the industrial cluster of electrical and intelligent vehicles.

10.7.2 Encouraging the acquisition and use of electric vehicles

In recent years, the Government of Québec simultaneously acted on several fronts to increase the number of electric vehicles[22] in Québec, in particular by:

- improving the network of charging stations;
- facilitating the acquisition of electric vehicles;
- improving the supply of electric vehicles, via the zero-emission vehicles act[23], to increase the number of eligible vehicles sold by dealerships.

Zero-emission vehicles act

Once the regulation is adopted, starting with the 2018 model year, car manufacturers will be required to meet target sales of zero-emission vehicles established by the government and implemented in the form of tax credits.

The purpose of the zero-emission vehicles act is to encourage the auto market to develop more models and use increasingly efficient low-carbon technologies. Small manufacturers who are exempt and high-performing manufacturers will be able to sell their excess credits to other manufacturers.[1]

[1] Operational parameters will be set out in the upcoming regulation.

The overall goal of the government's actions is to have 100 000 registered electric vehicles by 2020.

Regarding the acquisition of electric vehicles, *The Québec Economic Plan – March 2017* calls for:

- funding the Roulez vert program to cover rebate applications until June 30, 2018;
- modifying the program to focus the rebates on more affordably priced 100% electric vehicles;
- encouraging the purchase of fully electric used vehicles via a pilot project.

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[22] The term *electric vehicle* includes fully electric vehicles and rechargeable hybrid vehicles.

[23] An Act to increase the number of zero-emission motor vehicles in Québec in order to reduce greenhouse gas and other pollutant emissions.

Roulez vert program

The purpose of the Roulez vert program is to encourage the purchase of electric vehicles in Québec. The program includes two components:

- Drive Electric;
- Connected at Work.

Drive Electric component

Introduced on January 1, 2012, the Drive Electric component provides an opportunity to reduce the cost of purchasing a fully electric or rechargeable hybrid vehicle and the cost of purchasing and installing a home charging station through rebates applicable at the time of acquisition of this type of vehicle.

Currently the purchase rebate available[1] under the Drive Electric program is based on battery capacity.

- For fully electric vehicles with a battery capacity of 4 kWh or more, the maximum rebate is $8 000.
- For rechargeable hybrid vehicles, the maximum rebate is:
  - $500 for vehicles with a battery capacity of 4 kWh or more but under 7 kWh;
  - $4 000 for vehicles with a battery capacity of 7 kWh or more but under 15 kWh;
  - $8 000 for vehicles with a battery capacity of 15 kWh or more.
- No rebate when battery capacity is less than 4 kWh.

A rebate of up to $600 is also available on the purchase and installation of a home charging station.

As at February 28, 2017, the Drive Electric component has led to the registration of 12 843 fully electric or rechargeable hybrid vehicles in Québec.

Connected at Work component

The Connected at Work component, introduced on December 17, 2013, offers financial assistance to businesses for the acquisition and installation of workplace charging stations, to encourage the use of electric vehicles by employees and employers.

- The financial assistance available for the purchase and installation of a charging station is the lesser of 50% of eligible expenses or $5 000. An establishment may receive maximum financial assistance of $25 000 per year for the purchase and installation of more than one station.
- Charging stations must be maintained for at least three years, and they must be made available free of charge to employees during that period.

As at February 28, 2017, the Connected at Work component had led to the implementation of 1 650 workplace charging stations.

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[1] Full rebates are available on purchases or leases of 48 months or more.

❑ Extend the Roulez vert program

To promote the purchase of electric vehicles, the Québec Economic Plan calls for:

- additional funding for the Drive Electric component;
- adding other zero-emission transportation vehicles to the list of eligible vehicles;
- facilitating the purchase and installation of home charging stations for used electric vehicle buyers.

In addition, in order to adapt to market conditions, *The Québec Economic Plan – March 2017* provides for:

- adjusting the rebate offered under the Drive Electric component based on the manufacturer's suggested retail price;
- eliminating the rebate on the acquisition of conventional hybrid vehicles on 2018 and later models.

■ Additional funding for the Drive Electric component

The Québec Economic Plan – March 2017 includes $70.2 million over two years for the Drive Electric component of the Roulez vert program.

This funding will allow for the registration of close to 10 000 new electric vehicles between April 1, 2017 and June 30, 2018.

Due to the upcoming creation of the Conseil de gestion du Fonds vert, details regarding the funding of the Roulez vert program to 2020-2021 will be released at a later date.

■ Add other zero-emission transportation vehicles to the list of eligible vehicles

To encourage the purchase of other types of zero-emission vehicles, *The Québec Economic Plan – March 2017* calls for making the Drive Electric component of the Roulez vert program accessible to buyers of fuel-cell[24] vehicles and limited-speed electric motorcycles as of April 1, 2017.

To this effect, the maximum rebate of $8 000 will be available on the purchase of fuel-cell vehicles, and a $500 rebate will be offered on the purchase of limited-speed electric motorcycles.

The funding allocated for this purpose will cover applications for rebates on purchases and long-term leases until June 30, 2018.

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[24] Commonly called "hydrogen vehicles."

■ Facilitate the purchase and installation of home charging stations for used electric vehicle buyers

Currently, the Drive Electric component of the Roulez vert program provides financial assistance for the purchase and installation of a charging station for new electric vehicles.

However, a resale market exists for used electric vehicles, and purchasers of these vehicles are not currently eligible for the charging station rebate.

Under *The Québec Economic Plan – March 2017*, from April 1, 2017 to June 30, 2018, the Roulez vert program will allow used electric vehicle buyers to benefit from a rebate on the purchase and installation of a home charging station.

The maximum financial assistance will be $600, which is the amount currently available to individuals purchasing a new electric vehicle:

- $350 toward the purchase of an eligible charging station;
- $250 for installation.

Funds of $1.4 million have been set aside to cover rebate applications until June 30, 2018.

■ Adjust the Drive Electric program rebate based on the manufacturer's suggested retail price

Under *The Québec Economic Plan – March 2017*, as of April 1, 2017 the rebate available under the Drive Electric component of the Roulez vert program will be adjusted based on the manufacturer's suggested retail price. For fully electric vehicles[25], the rebate amount will be as follows:

- unchanged for vehicles with a manufacturer's suggested retail price below $75 000;
- a maximum of $3 000 for vehicles with a manufacturer's suggested retail price of at least $75 000, but less than $125 000;
- no rebate for vehicles with a manufacturer's suggested retail price of $125 000 or more.

For rechargeable hybrid vehicles, the rebate is:

- unchanged for vehicles with a manufacturer's suggested retail price below $75 000;
- no rebate for vehicles with a manufacturer's suggested retail price of $125 000 or more.

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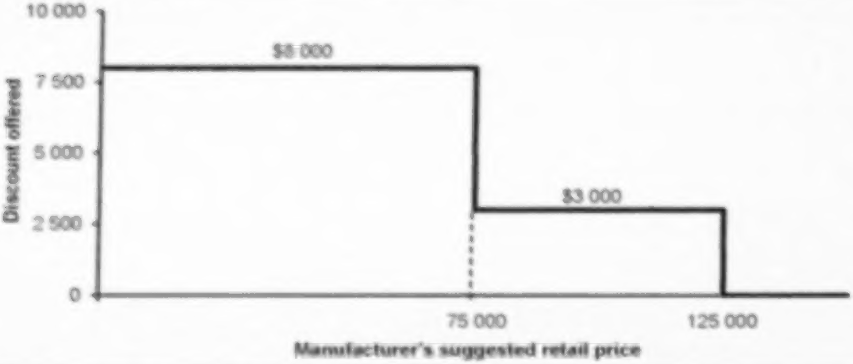
[25] These changes also concern fuel-cell vehicles now eligible under the program.

GRAPH B.4

Illustration of purchase rebate adjustment for a fully electric vehicle(1)
(dollars per vehicle)



(1) Fully electric vehicle purchased or leased with a term of 48 months of more.

The savings from this new adjustment will give access to electric vehicles to more households between now and June 30, 2018.

- **Advance the rebate deadline on conventional hybrid vehicles**

Under *The Québec Economic Plan – March 2017*, the financial assistance available for conventional hybrid vehicles will no longer end when the limit of 15 000 applications[26] is reached. It will end starting with the acquisition of 2018 models.

— Assistance will continue to be available on the acquisition of new conventional hybrid vehicles for the 2017 and previous model years.

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[26] Since November 1, 2013.

❑ Pilot project to promote the acquisition of used electric vehicles

With the aim of increasing the number of electric vehicles on our roads, the Québec Economic Plan includes a pilot project designed to analyze the impact of adding used all-electric vehicles[27] to the list of eligible vehicles under the Roulez vert program. The pilot project will be in effect from April 1, 2017, to March 31, 2018. It will be implemented by Transition énergétique Québec; implementation details will be announced by the organization at a later date.

Project participants will consist of the first 1 000 applicants who acquire a used all-electric vehicle that meets the following criteria:

- is between three and four years old;
- comes from outside Québec (to avoid having a Québec rebate on new vehicles applied more than once to the same vehicle);
- was bought or leased from an authorized dealer;
- comes with a warranty of at least three years or 40 000 km, and has been inspected and certified by an automobile manufacturer;[28]
- with a manufacturer's suggested retail price below $125 000 if bought new.

The maximum rebate under this pilot project will be $4 000, which is 50% of the financial assistance granted in the case of a similar electric vehicle if bought new. The project will have had a financial impact of $4 million in 2017-2018.

This initiative is part of the broader objective of making electric vehicles more accessible and affordable, and thereby support the goal of having 100 000 electric vehicles registered in Québec.

❑ Review of the Roulez vert program

Over the next year, an assessment of the Roulez vert program and the new pilot project will be conducted to ensure that eligibility and other conditions are still valid in light of:

- market changes;
- consumer behaviour;
- the introduction of new, more affordable electric vehicle models.

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[27] As part of the pilot project, the notion of fully electric used vehicle will have to be adjusted, if applicable, to the upcoming regulation arising from the zero-emission vehicles act adopted in October 2016 by the Government of Québec.

[28] To ensure the quality of the vehicle, criteria concerning battery autonomy will be specified at a later date.

This assessment[29] will support introducing the best conditions for achieving the goals set with regard to the number of electric vehicles on the Québec territory.

An additional investment of $70 million

To this end, the sums required to fund measures to facilitate the acquisition and use of electric vehicles will be drawn from the Green Fund, as follows:

- $46.6 million in 2017-2018;
- $23.6 million in 2018-2019.

TABLE B.97

Financial impact of the measures designed to facilitate the acquisition and use of electric vehicles
(millions of dollars)

	2017-2018	2018-2019(1)	Total(2)
Extend the Roulez vert program			
– Fund the Drive Electric component to cover rebate applications until June 30, 2018(3)	–51.2	–24.9	–76.0
– Add other zero-emission transportation vehicles to the list of eligible vehicles	–0.01	–0.02	–0.03
– Facilitate the purchase and installation of charging stations for those who acquire used electric vehicles(4)	–1.0	–0.4	–1.4
– Adjust the Drive Electric program rebate based on the manufacturer's suggested retail price	7.8	1.4	9.2
– Advance of the elimination of the rebate granted to standard hybrid vehicles	0.9	0.1	1.1
– Reallocate unused sums	0.9	0.1	1.0
Subtotal	**–42.6**	**–23.6**	**–66.2**
Promote the acquisition of used electric vehicles via a pilot project	**–4.0**	—	**–4.0**
TOTAL	**–46.6**	**–23.6**	**–70.2**

Note: Totals may not add due to rounding.
(1) These figures are for the first three months of this year only.
(2) An additional amount of $2.6 million is also planned for 2016-2017, to be financed from funds that become available during the course of the year.
(3) The sums allocated to the Drive Electric component of the Roulez vert program will be for individuals and businesses.
(3) Allow more than one rebate for a same vehicle (but to different owners), for the purchase and installation of a home charging station.

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[29] The departments involved in producing this assessment are the Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques, the Ministère des Transports, de la Mobilité durable et de l'Électrification des transports, the Ministère des Finances and the Ministère de l'Énergie et des Ressources naturelles.

TABLE B.98

Rebate amounts offered under the Drive Electric component of the Roulez vert program(1)

	Prior to the March 2017 Economic Plan	After the March 2017 Economic Plan
All-electric vehicles(2),(3)		
– Under $75 000	$8 000	$8 000
– From $75 000 to less than $125 000	$8 000	$3 000
– $125 000 or more	$8 000	—
Rechargeable hybrid vehicles(2)		
– Under $75 000	$500 to $8 000(4)	$500 to $8 000(4)
– From $75 000 to less than $125 000	$500 to $8 000(4)	—
– $125 000 or more	$500 to $8 000(4)	—
New eligible vehicles		
– Limited speed electric motorcycles	—	$500
– Fuel cell-powered vehicles	—	$8 000
Conventional hybrid vehicles		
– Rebate amount	$500	$500
– End of eligibility	Upon reaching 15 000 rebate requests	Applicable to models from 2018 onwards
Home charging stations(5)		
– Acquisition	$350	$350
– Installation	$250	$250
– Allow more than one rebate for a same vehicle (but to different owners)	No	Yes

(1) Maximum rebate for purchased vehicles or vehicles leased for 48 months or more. For 12- to 24-month leases, the rebate equals 25% of the maximum rebate. For 24- to 36-month leases, the rebate is 50% of the maximum rebate, and for 36- to 48-month leases, 75% of the maximum rebate.

(2) Applicable to an electric vehicle purchased or leased for 48 months or more.

(3) The rebate for used all-electric vehicles under this pilot project will be 50% of the financial assistance granted in the case of a similar new electric vehicle.

(4) The rebate varies depending on battery capacity. No rebate when battery capacity is less than 4 kWh. The maximum rebate for rechargeable hybrid vehicles with a battery capacity of at least 4 kWh but under 7 kWh is $500; it is $4 000 for those with a battery capacity of at least 7 kWh but under 15 kWh, and $8 000 for those with a battery capacity of 15 kWh or more.

(5) 240-volt charging stations.

10.7.3 Revising the additional registration fee for luxury vehicles

The additional registration fee applicable to luxury vehicles was established in 1998 and applies annually to all passenger vehicles that weigh 3 000 kg or less, that are 7 years old or less, and that are valued at over $40 000.

— Under the terms of the Regulation respecting road vehicle registration, a 1% fee is applied to the market value of a vehicle exceeding $40 000.

The current automobile industry is transitioning to a market that is more energy efficient overall, and the range of electric vehicles continues to grow. However, electric vehicles are still more expensive than combustion vehicles.

In order to encourage motorists to drive electric vehicles, the Québec Economic Plan will apply a reduction or exemption to the fee for this type of vehicle.

Starting January 1, 2018, vehicles that qualify under the Drive Electric component of the Roulez vert program and priced between $40 000 and $75 000 will be exempt from the fee.

10.7.4 Enhancement and extension of Écocamionnage program

As part of its 2030 Energy policy, the government has made it a priority to establish Québec as a North American leader in the areas of renewable energy and energy efficiency.

To encourage the freight transportation sector to turn to vehicles with a low carbon footprint, the Québec Economic Plan will enhance the Écocamionnage program and extend it to December 31, 2020.

Écocamionnage program

First introduced in 2014, the Écocamionnage program promotes the use of energy-efficient, low-GHG emitting equipment and technology to transport goods.

- This program provides financial incentives to those businesses that reduce their greenhouse gas emissions and fuel consumption.

- ### Maximum eligible expenses increased to $100 000

To support businesses wishing to become more energy-efficient by upgrading the vehicles used for long-distance freight transportation, the government is increasing the maximum eligible expenses related to the acquisition of technology or a vehicle allowing for the use of alternative fuels with lower greenhouse gas emissions.

The government has doubled the eligible expense limit for this category in the acquisition section of the Écocamionnage program, from $50 000 to $100 000.

— Hence, the maximum financial assistance that a company can now obtain is $30 000, compared to $15 000 prior to the program's enhancement.

The financial impact of this measure will be $1 million for the next three years and $0.8 million in 2020-2021. These amounts will be drawn from the Green Fund.

TABLE B.99

Financial impact of enhancing and extending the Écocamionnage program to December 31, 2020
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Enhancement and extension of Écocamionnage program	—	–1.0	–1.0	–1.0	–0.8	—	–3.8

TABLE B.100

Main features of the Écocamionnage program

Clientele	Heavy vehicle owners and operators based in Québec.
Program objective	The Écocamionnage program promotes the use of energy-efficient, low-GHG emitting equipment and technology in the freight transportation and heavy vehicle industry.
Program enhancement	The enhancement of the acquisition component of the Écocamionnage program consists in an increase from $50 000 to $100 000 of eligible expenses related to the acquisition of a vehicle or technology allowing for the use of alternative fuels with lower GHG emissions.
Conditions associated with the increase in eligible expenses	With regard to the acquisition of technology or a vehicle allowing for the use of alternative fuels with lower greenhouse gas emissions: – the financial assistance is based on the supplementary cost of acquiring this type of vehicle compared to a regular vehicle that runs on diesel or gas; – the financial assistance granted, in the form of a subsidy, represents 30% of eligible expenses and could be as high as $30 000.

10.7.5 Supporting emergency off-road intervention services

The Organisation de la sécurité civile du Québec was initially assigned the task, among other things, of developing a plan for emergency off-road intervention services in conjunction with the departments and organizations involved. One important aspect concerned the organization of safe off-road interventions that would provide the best possible services to victims.

These works enabled an analysis of existing organization methods and led to the creation of tools to support regional county municipalities (RCMs), the entities responsible for the organization of emergency services in their respective territories.

In order to hasten the introduction of emergency off-road intervention protocols across the Québec territory and better protect citizens, the Québec Economic Plan calls for the implementation of a financial assistance program to help RCMs acquire the necessary off-road rescue equipment and draw up and disseminate local intervention protocols, including the identification of needs and the organization of rescue exercises.

To this end, additional appropriations of $3.6 million will be granted to the Ministère de la Sécurité publique in 2017-2018. These amounts will be drawn from the Contingency Fund.

10.8 Additional actions of $54 million to support the Maritime Strategy

Québec's Maritime Strategy, a flagship initiative of the Québec Economic Plan with a view to 2030, is primarily aimed at showcasing the Saint-Lawrence River. The implementation of the Maritime Strategy's first five-year action plan is supported by an envelope of over $1.5 billion, and should generate private and public investments of approximately $2.9 billion by 2020.

Since it was unveiled on June 29, 2015, the Maritime Strategy has been positively viewed at both national and international levels as a promising economic development mechanism for Québec's maritime regions. Several initiatives are already in progress and are creating jobs in all Québec regions.

- Almost 120 initiatives in total associated with the Maritime Strategy have already been confirmed across Québec.
  - These activities touch various sectors related to the maritime industry, including tourism, transportation, logistics, fishing and aquaculture, research and innovation, and the environment.
- Total investments thus far represent over $1.2 billion, with the government's share accounting for close to $290 million.

The government plans to increase its financial support of projects developed as part of the Maritime Strategy including in Îles-de-la-Madeleine. To this end, the Québec Economic Plan also includes over $54 million in funding for initiatives to support:

- the preparation of plans and specifications for the development of public infrastructures in industrial port zones;
- the development of commercial fishing and aquaculture;
- the creation of a Centre d'expertise pour la gestion des risques d'incidents maritimes (CEGRIM) in Îles-de-la-Madeleine;
- the economy of Îles-de-la-Madeleine;
- the implementation of research and dialogue initiatives in connection with the Maritime Strategy;
- conservation efforts at Lac Saint-Pierre.

Other initiatives, which also support the Maritime Strategy's general objectives, will be incorporated into Québec's new research and innovation strategy. These will include:

— acquisition of scientific expertise through the Odyssée Saint-Laurent project;

— Marine Biotechnology Research Centre funding;

— support for the operation of the *Lampsilis* research vessel.

These measures will be addressed in greater detail in the section "Stimulate research and innovation to build the Québec of tomorrow."

TABLE B.101

Financial impact of additional actions to support the Maritime Strategy
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Supporting the preparation of plans and specifications for the development of industrial port zones	—	−2.5	—	—	—	—	−2.5
Development of commercial fishing and aquaculture	—	−1.5	−1.5	−1.5	−1.5	−1.5	−7.5
Creation of a Centre d'expertise pour la gestion des risques d'incidents maritimes (CEGRIM) in the Îles-de-la-Madeleine	—	−1.5	−4.0	−4.0	—	—	−9.5
Providing additional support for the Îles-de-la-Madeleine economy	—	−3.0	−3.7	−3.8	−3.9	−3.9	−18.3
Research and dialogue initiatives	—	−0.8	−0.8	−0.8	—	—	−2.4
Assistance for preserving Lac Saint-Pierre	—	−2.0	−3.0	−3.0	−3.0	−3.0	−14.0
TOTAL	**—**	**−11.3**	**−13.0**	**−13.1**	**−8.4**	**−8.4**	**−54.2**

10.8.1 Supporting the preparation of plans and specifications for the development of industrial port zones

The availability of land ready for business development is one of the deciding location factors for project developers.

— When considering the attraction of zones for development, the presence of adequate power lines, natural gas pipes and water and sewage networks are important.

As part of the Maritime Strategy, the government has begun developing 16 industrial port zones. It will thus ensure that the conditions needed to attract businesses and promote industrial projects are in place.

To support the development of industrial port zones, the Québec Economic Plan has earmarked $2.5 million in 2017-2018 for the development of public infrastructure plans and specifications. These amounts will allow for funding up to 50% of the costs and specifications for imminent projects, such as those for the City of Contrecœur and the Baie-Comeau industrial port zone.

To this end, additional appropriations of $2.5 million will be granted to the Ministère de l'Économie, de la Science et de l'Innovation in 2017-2018. The amounts will be drawn from the Contingency Fund.

Examples of projects at the planning and specifications phase

Development of water processing and distribution infrastructures in Contrecœur

The Port of Montréal has purchased land to build a major container terminal in Contrecœur. To attract added-value activities, a logistics hub would be established near the port. It is expected that distribution centres and logistics businesses will set themselves up in the area to enable the efficient transport of merchandise.

The City of Contrecœur is planning to carry out engineering studies in 2017 regarding ensuring efficient water processing and distribution infrastructures to meet the needs of the port and its potential logistics hub.

Baie-Comeau industrial port zone development project

Baie-Comeau, because of its port, rail freight ferry system, and the Canadian National railway track, is a strategic point for foreign investors carrying out activities in conjunction with the Plan Nord project. These infrastructures make it possible for businesses in the Côte-Nord region to ship a great deal of their industrial production to the rest of Canada and the United States, as well as to efficiently receive raw materials.

Engineering studies, which could be carried out in the near future, will determine the costs of implementing public service infrastructures to serve companies such as Mason Graphite and Canadian Metals, as well as other major industrial sites, in order to attract new manufacturing companies.

10.8.2 Supporting the development of the commercial fishing and aquaculture industry

The fishing industry contributes to the economic vitality of several Québec regions, among them Bas-Saint-Laurent, Côte-Nord, Gaspésie and Îles-de-la-Madeleine. Emerging aquaculture activities also offer development potential for those regions. We therefore need to support their development and improve their competitiveness.

Given the driving role this sector plays throughout Québec's maritime regions, the Québec Economic Plan provides $7.5 million over five years to build capacity for fishing, commercial aquaculture, and resource processing. In particular, this investment will support:

- production of micro-algae and macro-algae;
- diversification of salt water mariculture;
- development of the seal industry;
- the revival of redfish fishing;
- development of freshwater aquaculture;
- the marine products processing industry.

Additional appropriations of $1.5 million will be given to the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation each year for the years 2017-2018 to 2021-2022.

10.8.3 Creating the Centre d'expertise en gestion des risques d'incidents maritimes in the Îles-de-la-Madeleine

Since maritime traffic could increase as the various Maritime Strategy initiatives are implemented, it is crucial to improve the understanding and management of risks related to the transportation of hazardous materials, especially since some of the navigable channels of the Saint Lawrence River present unique challenges.

The Québec Economic Plan calls for the creation of the Centre d'expertise en gestion des risques d'incidents maritimes (CEGRIM) which will give Québec an expertise in the prevention of, preparation for, response to and recovery from maritime incidents. This centre will be devoted to protecting the riverside population, coastal and marine ecosystems as well as essential infrastructures.

— CEGRIM will receive $9.5 million over three years to accomplish its mandate.

CEGRIM is intended to be a single structure where responses concerning the management of maritime incidents are centralized; it will encourage cooperation and synergy between all the experts.

— CEGRIM will be located in the Îles-de-la-Madeleine in order to take advantage of their strategic position, and this will help create highly qualified jobs in the region.

Additional appropriations of $1.5 million in 2017-2018 and $4 million each in 2018-2019 and 2019-2020 will be allocated to the Ministère de la Sécurité publique. The amounts for 2017-2018 will be drawn from the Contingency Fund.

The Minister responsible for the Maritime Strategy will announce details of the creation of CEGRIM at a later date.

Centre d'expertise en gestion des risques d'incidents maritimes (CEGRIM)

CEGRIM will be a centre specialized in prevention, preparation, response and recovery when environmental emergencies occur as a result of hazardous materials spills in the Saint Lawrence River.

CEGRIM will bring in experts with complementary mandates relating to managing the risks of maritime incidents; they will be drawn from the Ministère de la Sécurité publique, Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques, Ministère de l'Énergie et des Ressources naturelles, Ministère des Affaires municipales et de l'Occupation du territoire, Ministère des Forêts, de la Faune et des Parcs, Ministère des Transports, de la Mobilité durable et de l'Électrification des transports and Ministère de l'Agriculture, des Pêcheries et de l'Alimentation.

10.8.4 $18 million in additional support for the Îles-de-la-Madeleine economy

The economic development of Îles-de-la-Madeleine maritime community is particularly challenging due to the region's distance from major urban centres and the accessibility problems stemming from its insular nature. These issues usually lead to a higher cost of living for the region's inhabitants as well as more significant operating expenses for corporations.

With this reality in mind, the government has acknowledged Îles-de-la-Madeleine's special status and undertook to adapt its actions to the island's particular characteristics and needs.

Moreover, the government has already taken specific actions in this regard. In fact, some of the measures under way or announced as part of the Maritime Strategy support the government's commitment to addressing the insular nature of Îles-de-la-Madeleine.

To pursue its efforts aimed at diversifying and galvanizing Îles-de-la-Madeleine's economy, the Québec Economic Plan includes:

— greater tax assistance for Îles-de-la-Madeleine inhabitants;

— enhancement of the additional deduction for transportation costs incurred by Îles-de-la-Madeleine manufacturing SMBs, including a broader scope for determining the eligibility of SMBs from all sectors of activity.

TABLE B.102

Financial impact of the measures designed to further support the economy of Îles-de-la-Madeleine
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Greater tax assistance for Îles-de-la-Madeleine inhabitants	—	−2.5	−2.5	−2.5	−2.5	−2.5	−12.5
Enhancement of the additional deduction for transportation costs incurred by Îles-de-la-Madeleine manufacturing SMBs	—	−0.5	−1.2	−1.3	−1.4	−1.4	−5.8
TOTAL	**—**	**−3.0**	**−3.7**	**−3.8**	**−3.9**	**−3.9**	**−18.3**

$37 million in support for Îles-de-la-Madeleine

The Québec Economic Plan includes close to $28 million over five years for new initiatives to further support the economic development of Îles-de-la-Madeleine, namely:

- $12.5 million more in tax assistance for Îles-de-la-Madeleine inhabitants;
- $5.8 million to increase the deduction for transportation costs incurred by Îles-de-la-Madeleine manufacturing SMBs, including extending eligibility to SMBs from all sectors;
- $9.5 million for the creation of the Centre d'expertise en gestion des risques d'incidents maritimes (CEGRIM) in Îles-de-la-Madeleine.

In addition, $7.5 million has been set aside to support the development of commercial fishing and aquaculture in Québec's maritime regions, which will also benefit Îles-de-la-Madeleine.

In addition to these new initiatives, other initiatives totalling $9 million have already been announced to taken into account the insular character of Îles-de-la-Madeleine, including:

- $8.4 million to extend the tax credit to Gaspésie and certain Québec maritime regions and enhance it for Îles-de-la-Madeleine;
- $0.7 million to extend the investment tax credit;
- $0.2 million to implement the additional deduction for transportation costs incurred by manufacturing SMBs.

Since the implementation of the Québec Economic Plan, the government has adapted its intervention to the situation prevailing in Îles-de-la-Madeleine to the tune of over $37 million over five years.

Québec Economic Plan initiatives in support of the Îles-de-la-Madeleine economy
(millions of dollars)

	Value of the initiatives over 5 years
Québec Economic Plan – March 2017	27.8
Québec Economic Plan – Prior to March 2017	9.3
TOTAL	**37.1**

❑ Greater tax assistance for Îles-de-la-Madeleine inhabitants

The government has officially recognized the unique character of the Îles-de-la-Madeleine maritime community.

The characteristics germane to island regions are not felt anywhere else in Québec with as much intensity. Îles-de-la-Madeleine inhabitants are faced with several huge challenges because they are located at 215 km from the shores of the Gulf of Saint-Lawrence.

By this acknowledgement, the government wants to provide inhabitants with the means necessary to develop and uphold the dynamism of the Îles-de-la-Madeleine maritime community.

The government has also agreed to adapt its measures to the islanders' specific situation.

These factors contributed to the government's decision to grant, by virtue of the Québec Economic Plan, the full amount of the tax deduction for inhabitants of remote regions to the inhabitants of Îles-de-la-Madeleine.

■ Deduction for inhabitants of remote regions

The deduction for inhabitants of remote regions is designed to acknowledge the high cost of living in these regions as well as the elevated costs of travelling when living in such regions for employment purposes. Individuals residing in remote regions can benefit from a deduction applicable to the cost of housing and travel.

The tax deduction is comprehensive for inhabitants of the Northern zone, and cut in half for inhabitants of the intermediate zone. Îles-de-la-Madeleine is currently considered as being in the intermediate zone.

Deduction for inhabitants of remote regions

Individuals who live in a region considered as "remote" for at least six consecutive months can benefit from a deduction when computing their income for tax purposes.

- The amount for housing includes a basic amount for each day spent in a recognized remote region. This amount can be doubled if an individual maintains and lives in a housing unit and if no other person residing in this same unit requests the deduction for the same days (maximum of $22 a day for 2017, with the total amount capped at 20% of the individual's income). A taxpayer could hence benefit from a maximum deduction of $8 030 per year.
- The deduction for travel is applicable on two trips for vacation purposes (where vacation or time off is paid by the employer) in a given year, as well as to all travel (no limits) paid by the employer for medical reasons.

Tax assistance depends on the zone in which an individual lives. It is granted:

- in full (100%) for inhabitants of regions in the Northern zone;
- in part (i.e., 50% of the full value) for inhabitants of regions in the intermediate zone.

■ Greater recognition for Îles-de-la-Madeleine

Under the Québec Economic Plan, inhabitants of Îles-de-la-Madeleine will enjoy the same tax treatment as individuals residing in the Northern zone. As of the 2017 taxation year, inhabitants of Îles-de-la-Madeleine will be entitled to the full deduction for inhabitants of remote regions.

This initiative will allow some 5 700 taxpayers to fully benefit from this deduction. The average value of the deduction for islanders will increase from about $450 to $900 a year.

This enhancement will result in the inhabitants of Îles-de-la-Madeleine enjoying $12.5 million in relief over five years

❑ Enhancement of the additional deduction for transportation costs incurred by Îles-de-la-Madeleine manufacturing SMBs

Certain Québec regions must face special restrictions and challenges due to their location, far from the rest of the territory. This is particularly true for the Îles-de-la-Madeleine maritime community due to its insular character.

In its 2014-2015 Budget, the government had unveiled a tax measure to offset the higher transportation costs incurred by manufacturing SMBs located in remote regions. The additional deduction for transportation costs will allow Québec's manufacturing SMBs to be increasingly competitive, particularly for sales destined to export markets.

In order to further acknowledge the remoteness of certain territories, including Îles-de-la-Madeleine, the Québec Economic Plan incorporates an enhancement of the additional deduction for the transportation costs of manufacturing SMBs in remote zones. These changes include:

— an increase from 7% to 10% in the additional deduction;

— an expanded scope, to have the measure apply to SMBs in all activity sectors.

In addition to Îles-de-la-Madeleine, these adjustments will apply to the municipality of L'Île-d'Anticosti, also subjected to the same insular restrictions, as well as to the RCM of Golfe-du-Saint-Laurent in the Côte-Nord region and the Kativik Regional Government in Northern Québec, all of which are characterized by a lack of highways linking their various villages and municipalities.

Close to 800 more businesses could benefit from the additional deduction applicable to transportation costs

The different economic activity sectors in these territories are impacted by their remoteness from urban centres, procurement sources or points or destination of sale, which represents additional costs for businesses.

With the enhancement of the additional deduction applicable to transportation costs, nearly 800 new SMBs from all activity sectors located in these specific remote zones will benefit from tax savings. This also includes businesses active in the tourism, leisure and fishing industries. This enhancement will notably allow these businesses to retain more of their cash and potentially proceed to additional investments in their respective communities.

Overall, this enhancement represents a tax relief totalling $5.8 million over the next five years.

Illustration of the enhancement of the additional deduction for transportation costs incurred by an Îles-de-la-Madeleine SMB

The enhancement of the additional deduction for transportation costs will enable manufacturing SMBs located in specific remote zones, including Îles-de-la-Madeleine, to benefit from an increase in the deduction rate of 7% to 10%.

Furthermore, SMBs in other activity sectors primarily located in the specific remote zone will also be able to benefit from the additional deduction applicable to transportation costs.

- For example, an Îles-de-la-Madeleine SMB in the retail sector with a gross income of $7.5 million and a taxable income of $1 million could enjoy a drop in its income tax of $79 000, equal to an 80% reduction.

Illustration of the impact of the enhancement of the additional deduction for transportation costs incurred by an Îles-de-la-Madeleine SMB in the retail sector
(in dollars)

	Prior to the March 2017 Economic Plan	After the March 2017 Economic Plan	Gap
Gross income	7 500 000	7 500 000	—
Operating costs	6 500 000	6 500 000	—
Additional deduction applicable to transportation costs			
– 10% of gross income	—	750 000	750 000
Taxable income	1 000 000	250 000	−750 000
TOTAL INCOME TAX PAYABLE(1)	**99 000**	**20 000**	**−79 000**

(1) The first $500 000 in income are taxed at the reduced rate of 8% for SMBs, while additional income is taxed at the general rate of 11.8% in effect for the 2017 year.

TABLE B.103

Main parameters of the additional deduction applicable to transportation costs for manufacturing SMBs(1) – After *The Québec Economic Plan – March 2017*

		Calculation method based on zone	
Territories		**Rate**	**Limit per corporation**
Major urban centres			
– Montréal's Census Metropolitan Area		1% of the corporation's gross income	Maximum of $50 000
– Québec Census Metropolitan			
– Gatineau metropolitan area(2)			
Intermediate zone			
– Capitale-Nationale(3),(4)	– Chaudière-Appalaches(4)	3% of the corporation's gross income	Maximum of $150 000
– Lanaudière(4)	– Laurentides(4)		
– Montérégie(4)	– Centre-du-Québec		
– Western region of Estrie(5)	– Southern region of Mauricie(6)		
– Papineau RCM			
Remote zone			
– Bas-Saint-Laurent	– Saguenay–Lac-Saint-Jean	5% of the corporation's gross income	Maximum of $350 000
– Abitibi-Témiscamingue	– Côte-Nord(7)		
– Nord-du-Québec(8)	– Gaspésie(9)		
– Southern region of Estrie(10)	– Antoine-Labelle RCM (Laurentides)		
– Charlevoix-Est RCM			
– Agglomeration of La Tuque and Mékinac RCM (Mauricie)	– Pontiac RCM and La Vallée-de-la-Gatineau RCM (Outaouais)		
Specific remote zone(11)			
– Municipality of L'Île-d'Anticosti	– Îles-de-la-Madeleine maritime community	10% of the corporation's gross income	No limit
– Golfe-du-Saint-Laurent RCM (Côte-Nord)	– Kativik Regional Government (Nord-du-Québec)		

(1) Manufacturing SMBs can fully benefit from the additional deduction when at least 50% of their work involves manufacturing or processing activities, and where the paid-up capital, on a consolidated basis, does not exceed $10 million.

(2) This territory corresponds to the Québec portion of the Ottawa-Gatineau census metropolitan area.

(3) This zone excludes the Charlevoix-Est RCM, which is in a remote zone.

(4) This zone excludes the municipalities in the census metropolitan areas of Montréal, Québec or Gatineau.

(5) This zone includes the city of Sherbrooke as well as the RCMs of Memphrémagog, Val-Saint-François, des Sources and Coaticook.

(6) This zone includes the cities of Trois-Rivières and Shawinigan as well as the RCMs of des Chenaux and Maskinongé.

(7) This zone excludes the Golfe-du-Saint-Laurent RCM and the municipality of L'Île-d'Anticosti.

(8) This zone excludes the Kativik Regional Government.

(9) This zone includes the RCMs of Avignon, Bonaventure, Côte-de-Gaspé, Haute-Gaspésie and Rocher-Percé.

(10) This zone includes the RCMs of Granit and Haut-Saint-François.

(11) The additional deduction will be granted to SMBs that carry out the majority of their activities in the special remote zone. Otherwise, manufacturing SMBs can still be considered as operating within a special remote zone if their most important manufacturing or processing activities are carried out in this zone.

10.8.5 Research and coordination initiatives under the Maritime Strategy

We need recent and reliable strategic information to make sense of the extent and complexity of the issues in the maritime economy. We collect such information by studying different maritime-related topics, especially with regard to transportation flow issues and social, economic and environmental stakes.

We also attend specialized events in this field as participants, exhibitors or lecturers, which gives us an excellent opportunity to promote and exchange relevant information and spark discussions on the development of the maritime industry. Such events are also good for creating new partnerships.

The Québec Economic Plan allocates $2.4 million over three years to the Secrétariat aux affaires maritimes to meet our priority needs for strategic information and encourage organization of and participation in various activities of the maritime sector.

The studies it will fund will include:

- the long-term competitiveness of the Saint Lawrence Seaway in the container market;
- the marketing of value-added products in the marine biotechnology sector;
- the impact of the arrival of Asian carp in Québec.

Additional appropriations of $0.8 million will be granted to the Ministère du Conseil exécutif each year for the years 2017-2018 to 2019-2020. The amounts for 2017-2018 will be drawn from the Contingency Fund.

10.8.6 Protecting the biodiversity of Lac Saint-Pierre

Lac Saint-Pierre is a unique ecosystem harbouring great biodiversity. It is recognized as a Wetland of International Importance under the Ramsar Convention and as a Biosphere Reserve by UNESCO. This lake is a treasure for all Quebecers, both from a biological and an economic standpoint.

However, the health of the lake's ecosystem is a concern. Past use of its watershed and floodplain have damaged the quality of its waters.

- The poor quality of the water of several tributaries of Lac Saint-Pierre and the loss of quality habitats in its floodplain have repercussions on aquatic life and on its chance to develop and flourish.
  - More than 60 species in its coastal zone are threatened or vulnerable or likely to be so.

Québec undertook to continue restoring the Lac Saint-Pierre ecosystem and ensuring the sustainability of the fisheries associated with it in 2015 as part of its Maritime Strategy.

The Ramsar Convention

The Convention on Wetlands, also known as the Ramsar Convention, is an international treaty for the conservation and sustainable use of wetlands and their resources.

It was signed in the Iranian city of Ramsar in 1971 and came into effect in 1975. Since then, close to 90% of the UN Member States - from every geographic region in the world - have become "Contracting Parties."

The Convention considers wetlands to be among the most diverse and productive ecosystems because they supply essential services such as access to drinking water.

Mission

The Convention's mission is "the conservation and wise use of all wetlands through local and national actions and international cooperation, with a view to achieving sustainable development throughout the world."

Source: Ramsar Convention official website, www.ramsar.org.

☐ Assistance for preserving Lac Saint-Pierre

The Québec Economic Plan calls for assistance of $14 million over five years to support the restoration of priority areas in Lac Saint-Pierre.

- That financial assistance will go to measures for restoring the banks in farming areas and the wetlands of the coastal zone.
- It is also in line with the orientations of the draft bill on the preservation and sustainable use of the hydric environment and wetlands.

Additional appropriations of $2 million in 2017-2018 and $3 million each for the next four years will be allocated to the Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques. The amounts for 2017-2018 will be drawn from the Contingency Fund.

TABLE B.104

Financial impact of the assistance to preserve Lac Saint-Pierre
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Assistance for preserving Lac Saint-Pierre	—	−2.0	−3.0	−3.0	−3.0	−3.0	−14.0

10.9 $45 million for new initiatives as part of the Plan Nord

The Plan Nord is one of the pillars of the Québec Economic Plan.

Several promising projects, to which the Government of Québec contributed, were completed north of the 49th parallel during the past year. They included:

— the Stornoway's Renard diamond mine, officially inaugurated in the fall of 2016 and which received financial assistance to build an access road almost 100 km long;

— creation of the Société ferroviaire et portuaire de Pointe-Noire, which provides multi-user reasonably priced access to the railway and port facilities in the Pointe-Noire sector in Sept-Îles, in which the Government of Québec acquired shares.

The international economic context in the natural resources sector is gradually improving, offering promising perspectives for the development of the North.

— In its 2016 annual survey the Fraser Institute ranked Québec favourably once more for attracting mining investments.[30]

— Over the past year, investments of more than $150 million were confirmed from the Mining and Hydrocarbon Capital Fund to carry out mining projects, including projects by Tata Steel Minerals Canada and a project by Québec Iron Ore, a subsidiary of Champion Iron Mines.

Building on that success, the Government of Québec is continuing to roll out "The Plan Nord toward 2035 - 2015-2020 Action Plan" through the Société du Plan Nord, which is finishing its second year of operations. This allows the government to support current investments and to be ready to support future investments.

The Société du Plan Nord will receive close to $72 million during the 2017-2018 fiscal year to support new initiatives and create a favourable environment for developing the territory, showcasing its wealth and making its communities flourish.

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[30] Fraser Institute, *Annual Survey of Mining Companies - 2016*, February 2017.

Among new initiatives, the Québec Economic Plan includes:

- improvement of the telecommunications network in Basse-Côte-Nord;
- installation of greenhouses in the North for the benefit of the local and Indigenous communities; there are two ways this will be done:
  - development of non-profit greenhouses,
  - a pilot project for a commercial greenhouse heated by residual materials in Nunavik;
- a contribution for the construction of the Institut nordique du Québec science complex.

In order to promote mining exploration north of the 49th parallel, the Québec Economic Plan also provides measures to support the mining sector, including enlarging the territory covered by increased assistance for exploration in northern development.

TABLE B.105

Financial impact of the new initiatives under the Plan Nord
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Improvement of the telecommunications network in Basse-Côte-Nord	—	—	−8.0	−2.0	—	—	−10.0
Installing greenhouses in the North for the benefit of local and indigenous communities							
– Development of non-profit greenhouses	—	−0.6	−0.6	−0.6	−0.6	−0.6	−3.0
– Commercial greenhouse heated with residual materials	—	−0.5	−2.5	−2.0	—	—	−5.0
Construction of the Institut nordique du Québec science complex	—	—	—	—	−9.6	−9.6	−19.2
Promote mining exploration in the Plan Nord territory	—	−1.0	−1.0	−1.0	−1.3	−1.3	−5.6
Encourage exploration work on the most promising sites	—	—	—	—	—	—	—
Simplify the administration of mining exploration assistance	—	—	—	—	—	—	—
Encourage consultation of communities with regard to mining projects	—	−0.5	−0.5	−0.5	−0.5	−0.5	−2.5
TOTAL	**—**	**−2.6**	**−12.6**	**−6.1**	**−12.0**	**−12.0**	**−45.3**

Société du Plan Nord – Results for the second year of operations

The Société du Plan Nord (SPN) began operations on April 1, 2015.

During its first year, the Société du Plan Nord worked on projects worth close to $80 million and set up an operational structure that works closely with local people and partners.

- To date the SPN has close to 50 employees in its Québec City offices and offices in its four regional satellites in Sept-Îles, Roberval, Baie-Comeau and Chibougamau.

Now fully operational in its second year, the SPN plans to invest over $210 million in the implementation of priority initiatives for the deployment of the Plan Nord. Its achievements include:

- acquiring shares in the Société ferroviaire et portuaire de Pointe-Noire;
- contributing to the completion of the business plan for construction of the Institut nordique du Québec scientific complex;
- launching the web platform for the marketing office of the Plan Nord;
- contributing to a telecommunications project to provide satellite Internet service among communities and businesses in Nunavik;
- contributing to the rebuilding of the road to Baie-James;
- putting together a request for proposals to reopen the pellet plant in Pointe-Noire through the Société ferroviaire et portuaire de Pointe-Noire;
- construction of 60 social housing units in Nunavik;
- starting work on the construction of new sections of Route 138, a priority for the government.

10.9.1 Financial framework of the Fonds du Plan Nord

The Fonds du Plan Nord is a special fund allocated to the operation and funding of the activities of the Société du Plan Nord.

It derives most of its revenue from:

- a portion of the tax revenue resulting from investments made in the Plan Nord territory, paid as an annual endowment;
- an annual contribution by Hydro-Québec, set at $15 million since *The Québec Economic Plan-March 2016*.

❑ Endowment of the Fonds du Plan Nord

The endowment of the Fonds du Plan Nord is established for a five-year period, but revised annually based on the progress of projects undertaken in the territory and the resulting tax revenue.

- Tax revenue is estimated based on investment projects in progress or planned.
- Only investments made after the creation of the Fonds du Plan Nord are taken into account.

Endowment of the Fonds du Plan Nord for 2017-2018

Based on the latest available data, investments of more than $16 billion have been taken into account to estimate the endowment of the Fonds du Plan Nord for 2017-2018.

The projected endowment over the next five years will total $393 million, or $17.8 million more than the previous forecast.

For taxation year 2017-2018, the endowment of the Fonds du Plan Nord is set at $78.6 million.

Of this endowment, close to $72 million will be made available to the Société du Plan Nord for 2017-2018.

— The balance will be kept in the Fonds du Plan Nord and used to support the commitments arising from infrastructure projects currently in progress under the responsibility of the Société du Plan Nord.

TABLE B.106

Financial framework of the Fonds du Plan Nord
(millions of dollars)

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Revenues						
Annual endowment	78.6	78.6	78.6	78.6	78.6	393.0
Hydro-Québec contribution	15.0	15.0	15.0	15.0	15.0	75.0
Other revenues[1]	2.8	2.9	3.0	3.1	3.1	14.9
Total – Revenues	**96.4**	**96.5**	**96.6**	**96.7**	**96.7**	**482.9**
Expenses						
Contribution to the Société du Plan Nord[2]	71.9	68.3	71.2	83.5	90.0	384.8
Other expenses[3]	2.6	2.5	2.4	2.2	2.1	11.8
Total – Expenses	**74.5**	**70.7**	**73.5**	**85.7**	**92.1**	**396.5**
BALANCE	**21.9**	**25.7**	**23.1**	**11.0**	**4.6**	**86.4**

Note: Totals may not add due to rounding.
(1) These revenues include Fonds du Plan Nord investment income as well as interest income on a loan to Les Diamants Stornoway.
(2) The amounts made available to the Société du Fonds du Plan Nord are used mainly to support the initiatives set out in the 2015-2020 Action Plan and the new initiatives announced under the Québec Economic Plan.
(3) These expenses include Fonds du Plan Nord management fees and financing costs in connection with the loan to Les Diamants Stornoway.

Endowment of the Fonds du Plan Nord

Increased economic activity in the Plan Nord territory

The international economic outlook is progressively improving for the natural resources industry.

- The progressive increase in metal prices observed in the previous year, including for gold and iron ore, is encouraging mining companies to accelerate the development of their projects.

New public infrastructure projects in the Plan Nord territory will also help increase economic activity in this territory in coming years.

To arrive at the endowment set out in the Québec Economic Plan, investments of more than $16 billion were considered.

Increase in the endowment of the Fonds du Plan Nord

The endowment of the Fonds du Plan Nord is established based on the tax revenue resulting from economic activity generated in the Plan Nord territory.

Based on this, the endowment for the next five years is estimated at $393 million, which represents an increase of $17.8 million over the previous forecast.

Five-year forecast for the endowment of the Fonds du Plan Nord based on time of forecast
(millions of dollars)

	2017-2018 to 2021-2022
Québec Economic Plan – March 2017	393.0
Québec Economic Plan – March 2016	375.2
GAP	**17.8**

10.9.2 Improving the telecommunications network in the Basse-Côte-Nord region

Access to quality Internet service has become essential for all communities.

In this context, the Québec Economic Plan will invest $10 million over two years to optimize the telecommunications network in the Basse-Côte-Nord region through the improvement of existing infrastructures and equipment.

— The sums will be paid out from the envelope made available to the Société du Plan Nord, from the Fonds du Plan Nord.

— The federal government will be called upon to match these contributions under its *Connect to Innovate* program, to ensure that the needs of local communities are properly addressed.

This investment will lead to improved Internet service for Basse-Côte-Nord communities.

— The capacity of the current network in this region is not sufficient to meet the growing needs of individuals and businesses.

— The maximum speed available in some communities is below the minimum offered by service providers in urban areas.

When completed, the 14 Basse-Côte-Nord communities, which are home to 5 000 inhabitants, will have access to high-speed Internet and to health, education and justice services on a par with other Québec regions.

10.9.3 Installing greenhouses in the North for the benefit of local and indigenous communities

Isolation and a harsh climate make food supply challenging for several communities located in the Plan Nord territory.

- Transporting food by plane limits the quantities available, drives up prices and, in some cases, can compromise quality.

Local production would allow remote populations to have access to a secure food supply at a lesser cost.

In this context, the Québec Economic Plan has set aside $8 million over five years to support the installation of greenhouses in the North, including:

- development of non-profit greenhouses;
- installation of a commercial greenhouse heated by residual materials in Nunavik.

The sums needed will be drawn from the envelope made available to the Société du Plan Nord, from the Fonds du Plan Nord.

❑ Development of non-profit greenhouses

Despite marked interest on the part of communities, the Plan Nord territory has few community and coop greenhouses.

The Québec Economic Plan is therefore allocating $3 million over five years to encourage the installation of non-profit greenhouses north of the 49th parallel.

- Depending on the location of the projects and the technology used, the available sums could support the installation of dozens of greenhouses.

Projects will be selected under a call for projects, the criteria of which will be made public by the Société du Plan Nord. Projects could be under the responsibility:

- of a community, for the purpose of offering its members access to a plot to grow their produce;
- of a social economy enterprise, for the purpose of growing and selling produce on a not-for-profit basis.

Projects receiving financial support from the community or from partners will be given priority.

❑ Pilot project for a commercial greenhouse heated with residual materials in Nunavik

Like non-profit greenhouses, commercial greenhouses are scarce north of the 49th parallel.

- This scarcity is explained in part by the harshness of the climate, which makes it expensive to maintain an adequate greenhouse temperature for commercial production.

In this context, the development of new energy solutions that are better adapted to northern greenhouses can make these easier to implement in the Plan Nord territory.

The Québec Economic Plan has set aside $5 million over three years for the development of a pilot project to:

- test a greenhouse concept adapted to northern conditions, including greater thermal insulation and a waste recovery system to heat buildings;
- determine the key profitability factors for greenhouse production in a northern environment.

This pilot project will be carried out by the Société du Plan Nord, with involvement by industry stakeholders, private partners and other organizations with the necessary expertise, including RECYC-QUÉBEC.

Should the results be conclusive, installation of commercial greenhouses heated with residual materials on a larger scale could help:

- secure the food supply of communities while providing increased access to quality products;
- foster local economic development;
- reduce greenhouse gas emissions arising from transporting food by plane and the heating of buildings using fossil fuels;
- offer communities an alternative to open-air burning of residual materials.

10.9.4 $19 million for the construction of the Institut nordique du Québec science complex

Northern development raises a multitude of issues for the research and innovation community.

To ensure sustainable development of the territory, its resources and communities, the government must base its actions on up-to-date and diverse scientific knowledge.

In this context, the creation of the Institut nordique du Québec is a priority.

- The Institut will bring together in one location several northern centres of excellence, including natural sciences and health, as well as engineering, social and human sciences.
- It will be based on the campus of Université Laval, in Québec City, but will also have locations at the Institut national de la recherche scientifique, at McGill University, and in Kuujjuaq, Nunavik.

The Québec Economic Plan includes an additional contribution of up to $19.2 million by the Société du Plan Nord to build the Institut nordique du Québec science complex.

This contribution, which will be added to the $10.8 million envelope announced last December to develop the plans and estimates, will be conditional upon the achievement of conclusive results.

It will complement the total $30 million contribution expected from the Government of Québec for the construction of the science complex, which will require total investments estimated at $90 million.

The other investments should include:

- $32.6 million from Université Laval, Fondation de l'Université Laval, and public and institutional partners;
- $27.4 million from the federal government.

The federal government's contribution is currently being applied for under the *Provincial-Territorial Infrastructure Component – National and Regional Projects* of the *2014-2024 New Building Canada Fund.*

10.9.5 Promote mining exploration in the Plan Nord territory

The development of northern Québec's mining potential relies on mining exploration to discover new deposits, therefore increasing future mining output.

To support the development of new mining projects in the Plan Nord territory,[31] the Québec Economic Plan calls for expanding the territory covered by increased assistance in northern development under the tax credit relating to resources and the mining tax regime to the entire Plan Nord territory.

By increasing mining exploration assistance in the Plan Nord territory, the government will not only support better knowledge of the mining potential of this region of Québec, but also the development of tomorrow's mines.

In addition, by harmonizing the definition of northern zone under the tax credit relating to resources and the mining tax regime with that of the Plan Nord territory, the government will simplify the business environment for mining companies operating in northern Québec.

☐ Close to $6 million to promote exploration in the Plan Nord territory

This measure represents a financial impact of $5.6 million over the next five years.

TABLE B.107

Financial impact of the initiatives promote mining exploration on the Plan Nord territory
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Promote mining exploration in the Plan Nord territory	—	–1.0	–1.0	–1.0	–1.3	–1.3	–5.6

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[31] The Plan Nord territory refers to all of Québec north of the 49th parallel and north of the St. Lawrence River and Gulf of St. Lawrence.

❑ Tax credit relating to resources

The tax credit relating to resources is tax assistance that supports, among other things, work related to mining resources that is carried out in Québec.

The increased rate of the tax credit relating to resources for eligible expenses in the Near North and Far North will henceforth apply to the entire Plan Nord territory.

TABLE B.108

Rate of the tax credit relating to resources for eligible mining expenses – After *The Québec Economic Plan – March 2017*

	Company that does not operate a mineral resource or an oil or gas well[1]	Other company
Eligible mining expenses:		
– In the Plan Nord territory	38.75%	18.75%
– Elsewhere in Québec	28.00%	12.00%

(1) The company must not be part of an associated group a member of which operates a mineral resource or an oil or gas well.

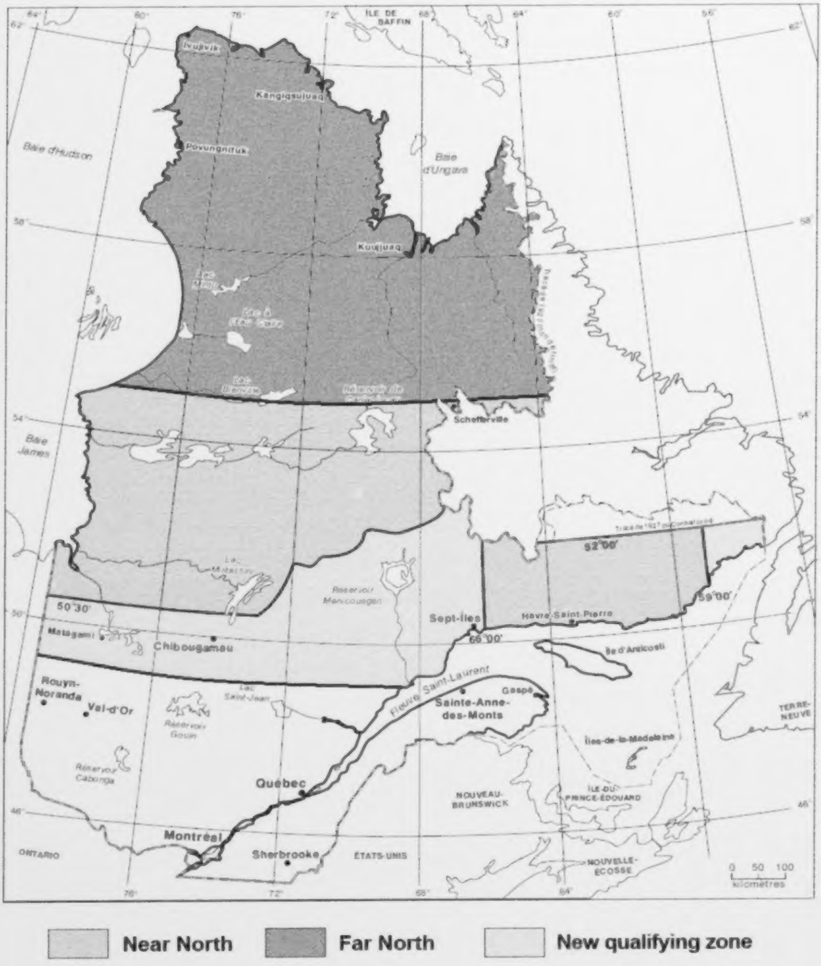
❑ Mining tax regime

Under the mining tax regime, two appropriations encourage mining development in northern Québec:

- the exploration allowance provides for an increase of 25% of the exploration expenses incurred in Québec's Near North and Far North;
  - This increase will henceforth apply to exploration expenses incurred in the entire Plan Nord territory.
- the purpose of the additional allowance for a mine situated in northern Québec is to take into account the high costs stemming from the coming of mine situated in northern Québec.
  - This $2 million allowance will be available for every new mine located in the Plan Nord territory, and an additional deduction of $3 million will continue to be offered for each new mine located in the Far North.

ILLUSTRATION B.1

Change to territorial limits for northern development assistance



10.9.6 **Encourage exploration of the most promising sites**

A mining company that owns a claim must carry out exploration work on the land, failing which a renewal of the claim will not be authorized.

To allow exploration companies to allocate their resources to the most promising claims, the Québec Economic Plan is extending the 35% reduction on the minimum cost of work to be carried out by a claim holder to December 31, 2018.

- Until December 31, 2018, the minimum cost of work to be carried out for each term of a claim will continue to vary between $31.20 and $2 340, based on the surface area of the land subject to the claim, the number validity periods of the claim, and its geographical location.

The one-year extension of the reduction of the minimum cost of work to be carried out on a claim represents savings of $4 million over the next year for exploration companies.

- This will enable these companies to focus their efforts on their most promising sites.

To implement this measure, the Minister of Energy and Natural Resources will introduce amendments to the *Regulation respecting mineral substances other than petroleum, natural gas and brine*.

10.9.7 **Simplify the administration of mining exploration assistance**

As announced in *The Québec Economic Plan - March 2016*, the Ministère des Finances carried out consultations on the administration of tax measures supporting mining exploration activities.

- To this end, the Ministère des Finances consulted the Québec Mining Association, the Québec Mineral Exploration Association, the Canada Revenue Agency, Natural Resources Canada, Finance Canada, the Ministère de l'Énergie et des Ressources naturelles, and Revenu Québec.

This initiative determined how to streamline exploration assistance administration. Hence, the Québec Economic Plan provides measures for:

- reducing the delays associated with the administration of exploration assistance;
- favouring more dialogue between government stakeholders;
- promoting the measures' application by businesses by publishing a guide on the exploration expenses eligible for tax assistance.

Reducing the delays associated with the administration of exploration assistance

Québec's northern climate, combined with the sheer size of the territory, limit the period during which mining exploration corporations can carry out exploration activities.

— Administrative delays can therefore delay or prevent the performance of exploration activities, as these must often take place during a specific period, particularly in the Plan Nord territory.

To improve services offered to mining industry stakeholders, the Québec Economic Plan provides that Revenu Québec's delay in processing interpretation requests and advanced rulings relating to exploration expenses be reviewed to inform corporations at the most two months after applications are completed.

Favouring more dialogue between government stakeholders and an access to the best experts

Under the Québec Economic Plan, Revenu Québec will ramp up the dialogue between mining taxation stakeholders, including the Canada Revenue Agency.

Furthermore, to support Revenu Québec auditors in their work related to the mining industry, the agency will enter into an agreement with the Ministère de l'Énergie et des Ressources naturelles to receive specific technical support.

Publishing a guide on exploration expenses eligible for tax assistance

The government agrees that common and appropriate understanding of the tax regulations governing the expenses eligible for exploration assistance is key to reducing uncertainty regarding whether or not certain costs qualify.

To ensure that mining corporations have access to the tax information required to carry out their projects, Revenu Québec will, under the Québec Economic Plan, publish a guide for businesses on the exploration expenses eligible for the tax credit relating to resources and the mining tax.

— This guide will provide guidelines to help businesses determine the eligibility of certain expenses.

10.9.8 Encouraging community consultation for mining projects

Social acceptability is essential for mining projects, whether they are at the exploration or development stage.

The Québec Economic Plan includes a new allowance in the tax mining regime to promote the consultation of communities, including Aboriginal communities.

Expenses associated with community consultation are not usually eligible for fiscal measures. With this new allowance, mining corporations will now be able to deduct a portion of these costs.

The addition of an allocation for community consultation in the tax mining regime represents a financial impact of $2.5 million over the next five years. This measure will apply to eligible costs incurred after the day of the budget speech.

TABLE B.109

Financial impact of adding an allowance for community consultation
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Encouraging community consultation	—	–0.5	–0.5	–0.5	–0.5	–0.5	-2.5

Costs eligible for the allowance for community consultation

Expenses eligible for the allowance for community consultation could include, for example:

- logistics expenses associated with community consultation, such as travel and accommodation;
- communication expenses associated with community consultation, such as costs of producing documentation and hiring interpreters;
- costs of professional services associated with community consultation, such as fees for attorneys and public consultation experts.

Expenses associated with community consultation that are considered to be exploration expenses are not eligible for the allowance for community consultation.

- Québec's tax legislation will therefore remain harmonized with the federal tax legislation concerning community consultation.

10.10 Improving the delivery of government services and the protection of personal information

To increase the efficiency of its operations across Québec, the government needs to be innovative in delivering its services to citizens and businesses, particularly through an increased use of information technologies.

However, using new technology raises issues, particularly concerning the protection of personal data. In consequence, as part of the Québec Economic Plan, the government provides for:

- an accelerated improvement of government services through the implementation of a new Services Québec business model;
- additional support offered to the Commission d'accès à l'information, particularly to offer information to citizens about protecting their personal data.

☐ New government services offering

Services Québec is a service office that allows citizens and businesses to benefit from simplified access to public services. Since the service office has been rolled out, the service is offered across Québec, at counters in local and regional offices. In addition, information is provided over the phone or two web portals, one for citizens and one for businesses.

With an aim to continually improve government service offerings and government spending management, the Ministère du Travail, de l'Emploi et de la Solidarité sociale opened up a review of the Services Québec business model. The findings of this review, particularly in terms of the implementation of a multi-service office, were published in the Ongoing Program Review Committee's August 2015 report.

Services Québec hopes to use more sophisticated information technology to implement a multiservice office, similar to the systems in place in several provinces. This redeployment of Services Québec is characterized mainly by:

- a single network of integrated government service offices, present in all RCMs, which ensures access to at least 90% of the population within a 50-km radius;
- highly-developed and consolidated front-line services from departments and bodies for the population and businesses;
- a telephone number for citizens and one for businesses to access government services;
- simple and fast access to all government services via the Internet and mobile devices offered by Québec Portal.

■ Initial redeployment results met expectations

In 2016-2017, Services Québec was able to take concrete action to implement this redeployment strategy.

- The implementation of integrated government service offices was completed for the projects in Roberval, Québec City and Montréal. This first step confirmed that citizens and businesses are interested in these facilities, particularly regarding the approach to the delivery of electronic services at the offices.
- Registres Québec was created in April 2016 to progressively consolidate the State's major registers, thereby supporting an integrated service offering. The goal of this consolidation is to develop a centre of expertise for registers and to optimize record keeping, therefore contributing to the implementation of multiservice office.
  - For example, when the register of civil status was merged with Registres Québec, civil status service delivery improved by introducing the single registration of births and deaths, among other things.

Considering the significant results in terms of the quality of services delivered to citizens and businesses, and to support the government's presence in regional Québec, the Québec Economic Plan provides for $36 million in the coming years to support the redeployment of Services Québec in all regions. This includes:

- $21.4 million from the Ministère du Travail, de l'Emploi et de la Solidarité sociale's Goods and Services Fund;
- an additional $15 million in appropriations granted to the Ministère du Travail, de l'Emploi et de la Solidarité sociale, $1 million in 2017-2018 and $2 million in the following years. The amounts for 2017-2018 will be drawn from the Contingency Fund.

❑ Increasing the protection of personal information

The protection of personal information and identity theft are two significant issues in a digital society.

The Commission d'accès à l'information's mission is to promote access to public organizations' documents and protect personal information in the public and private sectors.

To support the organization in its mission to communicate with its various target audiences, it will be granted an additional $0.1 million in appropriations each year. A number of audiences, like seniors, youth and small businesses, could benefit from raised awareness about protecting personal information provided to the private sector, since Québec works less with private companies than the public sector.

The amounts planned for 2017-2018 will be drawn from the Contingency Fund.

11. SUPPORTING THE GROWING INFLUENCE OF QUÉBEC CULTURE

Culture is a priority for Quebecers, as it reflects their values, aspirations and ambitions. Fostering artistic development and the creation of original artwork helps shape Québec's identity and promotes its international standing. Culture is therefore meaningful and a source of pride for Quebecers.

The cultural industry also participates actively in Québec's economic development through its substantial contribution to creating jobs. While all economic sectors are challenging, the cultural industry faces particular challenges, which include:

- the evolution of digital technologies that transform how cultural works are created, distributed and consumed;
- globalization, which provides new opportunities to our creators while raising the bar on the creation of cultural works because of the resulting competition;
- the need for adequate financing for our museum institutions and cultural heritage.

❑ $113 million for the development of Québec culture

To ensure the cultural industry remains dynamic and continues to grow, as well as the development and promotion of Québec cultural products abroad, the Québec Economic Plan provides for investments of nearly $113 million to:

- support the print news industry to provide varied and regional information;
- enhance the tax credit for Québec film productions, to foster Québec intellectual property, particularly in the animation field, support the industry's technological development and sustain the growth of regional producers;
- foster the creation of a Québec centre of excellence in virtual reality to stay on the cutting edge of new technologies;
- extend and overhaul the Quebec Cultural Capital Fund to finance major cultural export projects;
- support Québec musicians and composers by promoting the recording of soundtracks in Québec;
- increase support for the Québec music industry to optimize business performance and develop content and artists on all platforms;
- facilitate the presentation of Québec multimedia events or environments outside Québec;
- provide additional assistance for Télé-Québec to better support original Québec productions;

— support museum institutions, including The Montréal Museum of Fine Arts and Musée national des beaux-arts du Québec, as well as Québec cultural heritage.

TABLE B.110

Financial impact of the measures to support the growing influence of Québec culture
(millions of dollars)

	2016-2017[1]	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Supporting the print news industry to provide varied and regional information	—	−5.5	−7.5	−8.5	−7.5	−7.0	−36.0
Enhance the tax credit for Québec film productions	—	−0.8	−3.3	−5.0	−5.2	−5.3	−19.6
Facilitating the creation of a centre of virtual reality excellence in Québec	—	−0.1	−0.2	−0.3	−0.4	−0.5	−1.5
Extend and revise the Québec Culture Capital fund	—	—	—	—	—	—	—
Assistance program for soundtrack producers to support Québec musicians and composers	—	−0.5	−0.5	—	—	—	−1.0
Increasing support for the Québec music industry	—	−2.0	−3.0	—	—	—	−5.0
Adjustment of the tax credit for the production of multimedia events or environments presented outside Québec	—	−0.5	−0.5	−0.5	−0.5	−0.5	−2.5
Providing additional assistance to Télé-Québec to better support original Québec productions	—	−2.0	−2.0	−2.0	−2.0	−2.0	−10.0
Additional support for museum institutions and cultural heritage	−11.5	—	—	—	−10.0	−15.5	−37.0
TOTAL	**−11.5**	**−11.4**	**−17.0**	**−16.3**	**−25.6**	**−30.8**	**−112.6**

(1) The subsidies granted in 2016-2017 will enable new initiatives to be funded.

11.1 $36 million to support the print news industry to provide varied and regional information

The print media industry is changing rapidly. Information is increasingly migrating to digital media, causing revenues to plunge for print news companies.

Moreover, print media owners and distributors are seeing the costs associated with the recovery of materials increase substantially and are therefore under heavy financial pressure with respect to their selective collection costs.

The government is concerned with these problems facing the print media. To support the print news media so that Quebecers have access to a range of quality information throughout Québec, the Québec Economic Plan provides for:

- $24 million for the digital transformation of print media;
- $12 million to support RecycleMédias for selective collection.

These measures will help support the print news industry which has an important place in Québec's economy and plays a community-building role in the life of Québec's citizens.

TABLE B.111

Financial impact of measures to support the print news industry to provide varied and regional information
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Support for the digital transformation of the print news industry	—	−4.0	−5.0	−5.0	−5.0	−5.0	−24.0
Support RecycleMédias for selective collection	—	−1.5	−2.5	−3.5	−2.5	−2.0	−12.0
TOTAL	**—**	**−5.5**	**−7.5**	**−8.5**	**−7.5**	**−7.0**	**−36.0**

☐ $24 million for the digital transformation of the print news industry

The print news market is being sapped by the major decline in advertising and subscription revenue in the last few years which results from the upheaval caused by the advent of new technologies in the information industry.

Information print news companies must adapt to the new technological environment by maximizing the revenue derived from digital platforms and using innovative products to better disseminate information.

To achieve this, the Québec Economic Plan provides for an allocation of $24 million over five years for the digital transformation of information print news. This initiative, that forms part of the Québec Digital Strategy, includes:

- an assistance program to strengthen the local and regional information disseminated by community media;
- an assistance program to support and encourage print news companies to overhaul their business models and focus on digital technology.

TABLE B.112

Assistance programs for the digital transformation of print news journalism

Programs	Objectives	Target clientele
Assistance program for community media to strengthen local and regional information	– Stimulate the production and dissemination of local and regional information – Foster diversity in information sources and plurality in media	Community and social economy media
Digital adaptation program for information media organizations(1)	– Support the adaptation of business practises to increase the marketing capacity of Québec news content producers – Promote the acquisition of digital technologies – Foster the implementation of new journalism approaches	Regularly published print and digital media(2) that: – have their own team of journalists – produce original information that is of general interest (not thematic)

(1) Support for organizational diagnosis and strategic planning could also be offered to independent print and digital media (not integrated or part of a conglomerate).

(2) These media exclude radio and television stations that produce web content.

To that end, additional appropriations of $24 million over five years will be granted to the Ministère de la Culture et des Communications, i.e. $4 million in 2017-2018 and $5.0 million per year from 2018-2019 to 2021-2022. The amounts for 2017-2018 will be drawn from the Contingency Fund.

The Minister of Culture and Communications will announce the details on the assistance programs for the digital transformation of written news at a later date.

❑ $12 million to support RecycleMédias for selective collection

The *Regulation respecting compensation for municipal services provided to recover and reclaim residual materials* is based on the principle of greater producer accountability.

— In fact, producers that market certain categories of materials, i.e. containers and packaging, print materials and newspapers, must bear the bulk of the costs associated with the selection collection of the recyclables resulting from their products.

The goal of this plan is to compensate municipalities for the costs they pay to provide services to recover and reclaim the target products.

RecycleMédias

RecycleMédias is a body that has been accredited by the government since 2005 to represent newspaper owners and distributors with respect to the *Environment Quality Act* and the *Regulation respecting compensation for municipal services provided to recover and reclaim residual materials*.

RecycleMédias represents newspaper owners and distributors such as Gesca, Québecor Média, TC Médias, The Gazette, Le Devoir, Corporation Sun Media, Quebec Community Newspaper Association (QCNA), Groupe Voir, Association des médias écrits communautaires du Québec (AMEQ) and several other independent newspapers.

The government wishes to maintain the current system for compensating municipalities for selective collection services, as it is fair for all materials producers, consumers and municipal taxpayers. Nonetheless, the government is concerned about the survival of regional newspapers, which are an important news vehicle for people living in those communities.

To help newspaper enterprises deal with the technological transition that is unavoidable in this sector, the government is announcing that it will pay a temporary subsidy of $12 million over the next four years to RecycleMédias.

Additional appropriations of $1.5 million in 2017-2018, $2.5 million in 2018-2019, $3.5 million in 2019-2020, $2.5 million in 2020-2021, and $2 million in 2021-2022 will be disbursed to the Ministère de la Culture et des Communications. The amounts for 2017-2018 will be drawn from the Contingency Fund.

11.2 Enhancement of the tax credit for Québec film productions

Since it was introduced, the tax credit for Québec film productions has provided important support for local production, allowing Quebecers to enjoy a wide array of quality film and television shows that reflect their cultural identity.

To provide more appropriate funding for some types of production and enable many local productions to see the light of day, the Québec Economic Plan calls for an upward revision of the improvements relating to the tax credit for Québec film productions, i.e.:

— increase in rate from 8% to 16% in the enhancement for productions with no public financial assistance and its adjustment according to the level of public assistance;

— increase from 8% to 10% in the rate of enhancement for computer-aided special effects and animation;

— the increase from 8% to 10% and 16% to 20% in the regional improvement rates, depending on the type of production.

The adjustments to the three improvement rates will represent tax relief of nearly $20 million over the next five years.

TABLE B.113

Financial impact of the measures to improve the tax credit for Québec film productions
(millions of dollars)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total
Increase in rate from 8% to 16% in the enhancement for productions with no public financial assistance and its adjustment according to the level of public assistance	—	−0.6	−2.5	−3.8	−4.0	−4.0	−14.9
Increase from 8% to 10% in the rate of improvement for computer-aided special effects and animation	—	−0.1	−0.2	−0.3	−0.3	−0.3	−1.2
Increase from 8% to 10% and 16% to 20% in the regional improvement rates	—	−0.1	−0.6	−0.9	−0.9	−1.0	−3.5
TOTAL	**—**	**−0.8**	**−3.3**	**−5.0**	**−5.2**	**−5.3**	**−19.6**

Increase in rate from 8% to 16% in the enhancement for productions with no public financial assistance and its adjustment according to the level of public assistance

To give better financial support to productions that receive little or no funding from a public body, in particular to favour co-productions with foreign corporations and productions in the animation industry, adjustments will be made to the rate of enhancement for productions that receive no public funding.

The rate of this enhancement will be:

- doubled, going from 8% to 16%;
- adjusted according to the level of public funding, based on a $1 reduction in tax assistance for every $2 in public funding, to make more productions eligible.
  - The enhancement rate will drop to zero when the level of public funding reaches 32% of production costs.
  - At this time, the rate of the improvement for productions without public funding is not available as of the first dollar in public funding received.

Greater support for the development of Québec intellectual property and export

The quality of the expertise in the audiovisual sector combined with the tax credit for Québec film productions allows Québec corporations to do co-production with foreign companies. This is a very attractive model for Québec corporations as it enables expertise to be shared and facilitates foreign distribution of productions that were created in part in Québec.

In addition to capitalizing on our artisans' talent and creativity, Québec producers must be competitive enough to incentivize foreign corporations to establish partnerships, so that they agree to share some of the intellectual property rights in exchange for the financing they receive.

Moreover, this expanded support will, among other things, encourage productions in the animation sector, which represent an incredible springboard for international visibility as they are easy to export to various markets. These productions will bring new capital to Québec and feature superior return on investment capacity due to their dissemination in several countries.

❑ Increase from 8% to 10% in the rate of enhancement for computer-aided special effects and animation

Québec has major expertise in the visual effects sector, especially in Montréal, which is recognized as a global hub in this field. Many foreign producers hire companies from Québec to do their special effects.

In order to take advantage of this expertise and support the technological development of Québec's film and television industry, in particular in the animation-film sector, an enhancement for computer-aided special effects and animation is available for local productions.

With a view to ensuring that Québec continues to lead in the visual effects sector and takes full advantage of its home-grown expertise, the enhancement rate for computer-aided special effects and animation will be raised from 8% to 10%.

❑ Increase from 8% to 10% and from 16% to 20% in the regional improvement rates

In order to encourage the production of films and television shows that reflect the multiple regional realities of Québec and adequately support producers located outside the Montréal area, there will be a regional enhancement in the tax credit for Québec film productions.

The number of producers located in the regions has risen significantly in the past few years, which has paved the way for the filming of several productions in the regions and the completion of projects with higher budgets, in particular fiction and animation films.

In order to ensure the sustained presence of audiovisual companies in the regions and help them continue to grow, the regional improvement rates will be increased:

- from 8% to 10% for certain French-language productions or for films in giant-screen format;
- from 16% to 20% for other productions.

TABLE B.114

Tax credit rate for Québec film productions – After *The Québec Economic Plan – March 2017*

		Improvements				Effective rate(3)	
	Basic rate	Computer-aided special effects and animation	Regional	As per public financial assistance(1)	Max. rate(2)	Min.	Max.
French-language(4) or giant-screen format production not adapted from a foreign format	40%	—	10%	16%	66%	20%	33%(5)
French-language(4) or giant-screen format production adapted from a foreign format	36%	—	10%	16%	62%	18%	31%(5)
Other production not adapted from a foreign format	32%	10%	20%	16%	66%	16%	33%(6)
Other production adapted from a foreign format	28%	10%	20%	16%	62%	14%	31%(6)

(1) This enhancement applies to a Québec film production that is a fiction feature film, a mini-series or a series each episode of which is a production of fiction and with a minimum run time of 75 minutes, or a single documentary with a minimum run time of 30 minutes (except for single documentary films aimed at minors). The enhancement rate is reduced in a linear fashion up to a maximum public funding level of 32% of production costs, where the rate drops to zero.

(2) When all or part of the labour expenditures give rise to more than one improvement, the total may not exceed 66% for productions not adapted from a foreign format and 62% for productions adapted from a foreign format.

(3) The effective rate is obtained by multiplying the tax credit rate, expressed as a function of labour expenditures, by the rate of the cap on labour expenditures, expressed as a function of production costs. The cap on labour expenditures is 50%.

(4) Only films in the following categories are eligible: fiction feature (long- and medium-length as well as short films), including co-produced features, single documentaries, including co-productions, destined mainly for Francophone markets, as well as productions destined for minors.

(5) Assuming that the labour expenditures giving rise to the basic rate also give rise to the additional rates linked to regional improvement and to the enhancement according to the level of public financial funding.

(6) Assuming that the labour expenditures giving rise to the basis rate also give rise to the additional rates, i.e. the regional improvement and the enhancement according to the level of public financial funding and, as applicable, the enhancement for computer-aided special effects and animation.

11.3 Facilitate the implementation of a centre of excellence in virtual reality in Québec

Virtual reality and augmented reality give rise to new environments that are similar to those made for video games and films. These environments create new opportunities for Québec businesses.

— In 2020, the combined global market for virtual and augmented reality could reach close to US$120 billion.[32]

In order for Québec to remain at the forefront of these new environments, the Québec Economic Plan confirms the eligibility of virtual reality and augmented reality productions to the tax credit for film production services and the tax credit for the production of multimedia titles, as long as such productions meet the usual eligibility criteria.

The Québec Economic Plan projects an easing of the eligibility criteria for the tax credit for film production services in order to take into account the generally shorter run time of virtual reality and augmented reality productions.

— In order to benefit from the 20% basic rate applicable to all eligible production costs, a production will have to have a minimum budget of $250 000 for a single work or for an entire series or miniseries, regardless of run time.

— Currently, the costs incurred for a single production must be over the one-million-dollar threshold, while in the case of a series or miniseries, these thresholds are $200 000 or $100 000 by episode, depending on duration.

In addition, it will be possible to offer virtual reality and augmented reality productions for free without them being deemed advertising. This type of production will be eligible to the tax credits if it is an original production, or an extension or supplement to another production that aims to provide additional information or entertainment for the main production.

— And so, the production's purpose will be an integral part of the factors that will have to be considered when deciding if it is eligible for tax assistance.

These changes and clarifications will help affirm Québec's position, especially the Greater Montréal area, in these new types of environments created by virtual reality and augmented reality. They represent a tax relief totalling $1.5 million over the next five years.

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[32] Québec Film and Television Council, *Study for the Potential Creation of a Québec Centre of Excellence in Augmented Reality (AR) and Virtual Reality (VR)*, January 2016.

Definition of virtual reality and augmented reality environments

Virtual reality

Technology that provides an interactive simulation in real time through the computerized generation of synthesis images and a virtual environment in which the user can move. This technology gives users the impression of being immersed in a digitally-created world that can be either imaginary or a simulation of certain aspects of the real world.

Virtual reality replaces the real world with a virtual world and virtual objects. The real world is blocked out by a display headset.

Virtual reality can also be more widely applied to all the sensory channels (vision, hearing, touch, smell and taste). At this point in time, its primary areas of application are medicine, robotics, education, architecture, art and entertainment.

Augmented reality

Digital imaging technique derived from virtual reality that, with the use of a transparent display device (glasses or mounted on a display headset), allows users to superimpose information from a digital source on to a real image. The purpose of this technique is to enhance how we see the real world by adding elements (graphic data, animations, video images, etc.).

Augmented reality superimposes a virtual world on to the real world in real time. The real world is, however, not blocked out by the glasses or the display headset.

Augmented reality has many useful applications: assisting the decision-making process, and assisting and guiding users in fields as varied as medicine, architecture, tourism and entertainment.

11.4 Extend and revise the Québec Culture Capital Fund

Québec is internationally renowned for the quality of its artistic productions. In 2011, it created an important financial tool—the Québec Culture Capital Fund—with a view to financially supporting Québec businesses interested in exporting their cultural works.

- The Québec Culture Capital Fund has $100 million in capital, 60% funded by the Government of Québec, and 40% funded by the Fonds de solidarité FTQ.

In order to continue its support for Québec cultural firms that wish to create large-scale projects for foreign markets, the Québec Economic Plan will:

- extend the Québec Culture Capital Fund and review its governance;
- broaden the mission of the fund in order to encourage the development of Québec intellectual property;
- expand the sectors eligible for financing from the Fund in order to better represent the trends in Québec's cultural sector.

☐ Extend the duration of the Fund

Presently, the Québec Culture Capital Fund investment period is supposed to end in November 2017.

The government is going to extend this period to December 31, 2021, which will allow the Fund managers to continue investing in large-scale projects created by exporting cultural firms. In addition, its governance will be reviewed in order to favour the financing of better initiatives.

☐ Encourage Québec intellectual property

When it was first implemented, the specific aim of the Québec Culture Capital Fund was to:

- support cultural projects aimed at international markets;
- create and maintain jobs in Québec cultural firms;
- develop and maintain job opportunities for artists and artisans in cultural sectors.

The following goal will now also be added to the above objectives: supporting and developing Québec intellectual property with a view to ensuring that projects funded by this Fund will lead to the development of strong businesses and brands in Québec.

❑ Adjustment of sectors covered

In order to adapt the Québec Culture Capital Fund to the evolution of the Québec's cultural industry, adjustments will be made to the sectors eligible.

Considering the growth of the animation film sector over the past few years, the eligibility of this sector will be confirmed.

The Fund could, for instance, round out the funding for a production with a venture capital loan or by facilitating temporary credit on the sales receipts.

The video games sector will, however, no longer be eligible due to the launch in 2015 of an equivalent program focused exclusively on this sector, called Development of Québec Intellectual Property in the Video Game Industry.

The eligible sectors will be:

- live show production;
- book publishing and the purchase and sale of publishing rights;
- film and television production, including the animation sector;
- interactive digital production, excluding video games;
- sound recording and the purchase and sale of catalogues.

Lastly, no sectoral investment ceiling will be set per sector. The minimum investment per project will be set at $2 million, regardless of cultural sector, and the financial assistance shall not exceed 5% of the fund's total assets.

11.5 Assistance program for soundtrack producers to support Québec musicians and composers

Québec musicians and composers are recognized around the world for their professionalism and their expertise. Furthermore, every year, Québec attracts numerous productions that require major soundtracks, be it in the film and television or video games sectors.

The Québec Economic Plan provides for a pilot project that will encourage these productions in granting contracts to Québec musicians and composers.

This approach will allow the decision-making parties in the audiovisual and video games sector to make broader use of the services offered by Québec musicians and composers. Many composers and musicians in Québec do not get enough contracts to make a good living from their art, even though Québec boasts a number of high-quality sound-recording studios and musical production theatres and despite the fact that our musicians and composers are extremely creative and highly trained.

Implementing a program that encourages these decision-makers to hire more Québec musicians and composers for the production of soundtracks could provide the boost needed to create greater synergy between these two groups.

☐ Implementation of a two-year pilot project

The government's two-year pilot project will be administered by the Société de développement des entreprises culturelles. It will grant a non-refundable financial contribution applicable to part of the salary costs of Québec musicians and composers paid by Québec companies specializing in soundtracks for productions in the film, television or video game sectors.

This assistance will be added to the various tax credits available in the movie and video game fields.

TABLE B.115

Main parameters of the support program for soundtrack producers designed to support Québec musicians and composers

Eligible companies	Companies operating in Québec and creating a soundtrack for any project with a value exceeding $100 000 in eligible expenses.
Eligible projects	Projects carried out as part of a production linked to the film, television or video game sectors.
Eligible expenses	Salaries of Québec musicians or any other Québec professional working directly on the project's soundtrack.
Aid	Non-refundable financial contribution on part of the eligible expenses.
Duration	2 years.

To that end, additional appropriations of $1 million over two years will be granted to the Ministry of Culture and Communications, $0.5 million each in 2017-2018 and 2018-2019. The amounts for 2017-2018 will be drawn from the Contingency Fund.

The details of this aid program will be announced at a later date by the Minister of Culture and Communications.

11.6 Increase by $5 million the support to the Québec music industry

Over the last 15 years, digital technologies have disrupted the music industry in Québec, greatly affecting the revenue of the Québec businesses and artists operating in the field. Another trend observed in the industry is the artistic fusion of the recording of the music and the show, where the album becomes a promotional tool for the show, with their launches being synchronized.

In order to rebalance a market which is grappling with new realities, the Ministère de la Culture et des Communications is currently completing a review of existing aid programs in order to implement an action plan for the music industry. The objectives of the plan will be:

- optimizing the performance of companies operating in music and show business, through measures targeting know-how, talent development and employment;
- fostering the showcasing of music and show business contents and artists on all platforms.

In order to follow up on this action plan, the Québec Economic Plan projects on increasing the financial support for the Québec music sector over the next two years, thus allowing the industry to quickly adapt its business model and continue growing in this new environment.

To that end, an additional $5 million in appropriations over two years will be granted to the Ministère de la Culture et des Communications, $2 million in 2017-2018, and $3 million in 2018-2019. The amounts for 2017-2018 will be drawn from the Contingency Fund.

Changes in music consumption patterns

Music has been the first cultural industry affected by the digital revolution, which has greatly changed consumption patterns. From 2002 to 2010, the sales of physicals albums started dropping while "single downloads" became the preferred model in the industry.

This new model then started gradually changing with the arrival of streaming, which allows for non-stop music broadcasting. The user no longer needs to download the digital data to his device. The sales of physicals albums continued their slide, while "single downloads" also started to drop.

- From 2011 to 2016, a reduction of 46% in the number of physical albums sold annually in Québec was registered, from 7 830 500 to 4 201 800.
- From 2013 to 2016, after a long period of growth, digital sales in Québec dropped. The number of sales of digital albums went from 2 002 900 to 1 471 100, a drop of 27%, while the sales of digital titles went from 16 929 100 to 11 413 400, dropping by 33%.

Source: Observatoire de la culture et des communications du Québec.

11.7 Adjustment of the tax credit for the production of multimedia events or environments presented outside Québec

In the 2012-2013 budget, the government implemented the tax credit for the production of multimedia events or environments presented outside Québec. In addition to supporting Québec artists in the international distribution of their cultural and educational works, this measure generated additional economic benefits for Québec linked to these activities.

In order to fully support the production of multimedia environments presented outside Québec, the Québec Economic Plan projects an adjustment to the tax credit, to remove the requirement that a foreign company not have establishments in Québec.

Currently, to be eligible to the tax credit, the production of a multimedia environment must be carried out under contract with a foreign company, to ensure that the multimedia environment is presented outside Québec.

A Québec company entering into such a contract with a foreign company at arm's length could however be denied the tax credit if said foreign company has an establishment in Québec, whether or not said establishment is directly involved in activities of the contract.

This adjustment will contribute to the development of this niche, which has a strong potential for economic benefits in Québec, and will represent a tax relief totalling $2.5 million over the next five years.

TABLE B.116

Main parameters of the tax credit for the production of multimedia events or environments presented outside Québec

Eligible companies	Companies operating in Québec and making eligible productions.
Eligible productions	Multimedia events or environments that have received an eligibility certificate from Société de développement des entreprises culturelles recognizing, among others, that they: – propose an educational or cultural experience designed to entertain and meant to be presented to audiences outside Québec; – meet certain criteria regarding Québec content.
Eligible expenses	Salaries of the creative staff who carry out eligible production work, including the share of the salaries paid through subcontractors. – Eligible salaries cannot exceed 50% of total production costs.
Rate	35% of eligible expenses (maximum of $350 000 per eligible production).

11.8 $10 million in additional assistance for Télé-Québec to better support original Québec productions

A public broadcaster, Télé-Québec attracts around 4.1 million Québec francophone television viewers every week, including over half a million children between the ages of 2 and 11, broadcasting shows from 50 independent Québec producers.

- The mission of the organization is among other to offer educational and identity contents to children, in addition to promoting the artistic and cultural life, while *being accessible for free in all regions of Québec*.

Télé-Québec must have the ability to offer quality original productions, and in particular to present in sufficient quantities youth-oriented original productions linked to its mission of educating and entertaining.

To support Télé-Québec, the Québec Economic Plan projects granting additional financial aid in the amount of $2 million per year so the broadcaster can offer both Québec adults and children original, entertaining and enriching Québec shows.

To this end, additional appropriations of $10 million over five years, i.e. $2 million per year, will be disbursed to the Ministère de la Culture et des Communications from 2017-2018 to 2021-2022. The amounts for 2017-2018 will be drawn from the Contingency Fund.

Télé-Québec: educational television

Télé-Québec broadcasts rich and diversified youth programming relying on the know-how and knowledge of education professionals, in order to provide quality instructional content and enjoyment for the youth in their learning process.

Télé-Québec offers on its digital platform numerous complements to its youth and family shows, in order to enrich and expand its television offer through the creation of a virtual community or video games or zones.

More recently, Télé-Québec has adopted an innovative approach and is developing new tools powered by its promotional platforms, in order to:

- use the digital potential to customize applications to support preschoolers in their socio-affective development (ex.: Mon ami Bulle, the child's accomplice and parent's ally);
- complement the education program of Québec, with the production of pedagogical material and exploration tools designed for different platforms (ex.: interactive digital boards), both for primary and secondary schools.
  - Education kits are available for math, science and technology, and social universe.

With this additional support, Télé-Québec will be able to fully address its mission and offer the children educational and identity contents.

11.9 $37 million in additional support for museum institutions and cultural heritage

❑ Support for museum institutions

By their mission to democratize and disseminate culture, museum institutions are the key actors in the culture and education of the citizens, the preservation and dissemination of the heritage, as well as the tourism and economy of the communities.

The network of museum institutions reaches all regions of Québec. Museum institutions are therefore an essential vector of culture accessibility in regions removed from the larger urban centres, and take part in the vitality of the region.

In order to allow the museum institutions to quickly start planning their activities for the 2017 summer season, the government has enhanced its operational aid program[33] by $8.5 million in 2016-2017.

❑ Additional aid for the Montréal Museum of Fine Arts and the Museum of Fine Arts of Québec

In addition to being the custodians and disseminators of a cultural heritage precious to all Quebecers, the Montréal Museum of Fine Arts and the Museum of Fine Arts of Québec are major tourist attractions that generate significant economic benefits.

The Montréal Museum of Fine Arts has expanded over the last few years, with the grand opening in 2011 of the Claire and Marc Bourgie Québec and Canadian Art Pavillion, and more recently of the Michal and Renata Hornstein Pavillion for Peace. These new spaces reinforce the attraction and outreach of the museum.

For its part, the Museum of Fine Arts of Québec opened in June 2016 the new Pierre Lassonde Pavillion, which allows the public to fully enjoy the museum post-1960 collections.

In order to support the operation of these core institutions of the cultural field, the government granted in 2016-2017 additional aid in the amount of $1.5 million to the Montréal Museum of Fine Arts and $1.5 million to the Museum of Fine Arts of Québec.

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[33] This applies to museum institutions recognized by the Ministère de la Culture et des Communications under the scheme put in place to that effect by the Museum Policy, which excludes state museums and the Montréal Museum of Fine Arts.

☐ Extension of payments to the Fonds du patrimoine culturel québécois

Set up in 2006, the Québec Cultural Heritage Fund is allocated to the financial support of measures fostering the knowledge, protection, showcasing and transmission of the cultural heritage. The fund is financed through an annual injection taken from the income of the tobacco-specific tax.

Since its creation, the Québec Cultural Heritage Fund has helped face the challenge of protecting and showcasing the cultural heritage of Québec. The fund has given Quebecers the means to preserve the markers of a rich and unique history, for the benefit of present and future generations.

The Québec Cultural Heritage Fund has provided strong leverage in the cultural development agreements with the municipal bodies. Developing the cultural vitality of the areas and reinforcing their local identity have been at the heart of the actions financed by the fund.

The government reiterates its support for the protection and showcasing of our cultural heritage. To that effect, the payments to the Québec Cultural Heritage Fund will be extended until 2021-2022, an enhancement of $10 million for 2020-2021 and of $15.5 million for 2021-2022.

CLOSE TO $30 BILLION IN SUPPORT FOR THE QUÉBEC ECONOMY

As part of the Québec Economic Plan, the government continues to strive toward achieving the objectives it set for itself in terms of tax burden reduction and economic and social development. The government is announcing new measures to add to existing initiatives, in particular to:

- improve the standard of living of Quebecers;
- encourage academic success among young people;
- increase sustainable mobility, particularly in public transportation;
- foster economic development.

Between now and 2021-2022, by injecting over $10.7 billion in all sectors of activity, the new measures will result in support of almost $30 billion to the Québec economy, including:

- $14.5 billion by encouraging business investment;
- $9.4 billion by improving Quebecers' standard of living and boosting sustainable mobility;
- $2.7 billion by supporting economic development in all the regions;
- $2.2 billion by stimulating research and innovation;
- $0.7 billion by promoting entrepreneurship and financing growing businesses.

TABLE B.117

Economic support through *The Québec Economic Plan – March 2017*
(millions of dollars)

	Cost of the new initiatives	Economic support
– Encourage business investment	165	14 617
– Other measures to improve the standard of living of Quebecers and boost sustainable mobility	8 037	9 374
– Support economic development in all the regions	1 241	2 666
– Stimulate research and innovation to build the Québec of tomorrow	834	2 226
– Promote entrepreneurship and ongoing funding for growing businesses	432	675
TOTAL	**10 709**	**29 458**

The Québec Economic Plan represents a support of over $64 billion for the Québec economy

Since 2014, the government has been deploying the Québec Economic Plan in order to ensure the development of an environment favouring economic growth and job creation.

- The previous measures taken under the Québec Economic Plan, totalling in excess of $8 billion, represent a support of over $34 billion for the Québec economy.

The initiatives introduced have already generated conclusive results:

- in 2016, real GDP growth in Québec reached 1.7%; this was the best economic performance since 2011;
- from January to December 2016, 90 800 jobs were created in Québec, including 83 800 full-time jobs and 75 800 private sector jobs;
- in 2016, the unemployment rate in Québec reached a historical low;
- business, especially SMBs, and consumer confidence in the Québec economy has strongly improved since the beginning of 2016.

The new initiatives of *The Québec Economic Plan – March 2017* will increase the support for the economy provide by the government's action.

Overall, with the impact of the new initiatives, the Québec Economic Plan should support the economy by over $64 billion.

☐ Over 43 000 jobs supported

Through the new measures of the Québec Economic Plan, the government is acting on many fronts to foster the economic growth of Québec.

The measures taken by the government to stimulate private investment and support economic development will favour the implementation of new projects that will create quality jobs.

In the end, the measures announced in *The Québec Economic Plan – March 2017* will contribute to supporting more than 43 000 jobs in all economic sectors of Québec.

APPENDIX 1: FINANCIAL IMPACT OF THE MEASURES OF THE QUÉBEC ECONOMIC PLAN

TABLE B.118

Financial impact of the measures of *The Québec Economic Plan – March 2017*
(millions of dollars)

	2016-2017[1]	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total[2]	Ref. page
Further improve the standard of living of Quebecers								
Reduction in the tax burden on individuals								
– General tax reduction as of 2017	—	−294.8	−289.3	−268.8	−274.2	−279.6	−1 406.7	B.18
– Refund of the health contribution paid in 2016	−440.5	−32.3	—	—	—	—	−472.8	B.22
– Total abolition of the health contribution as soon as 2017	−53.3	−178.7	−20.6	—	—	—	−252.6	B.22
Subtotal	**−493.8**	**−505.8**	**−309.9**	**−268.8**	**−274.2**	**−279.6**	**−2 132.1**	
– RénoVert extended to March 31, 2018	—	−125.5	−41.8	—	—	—	−167.3	B.31
Subtotal	**−493.8**	**−631.3**	**−351.7**	**−268.8**	**−274.2**	**−279.6**	**−2 299.4**	
Support for individuals and communities								
– Immediate investment in the fight against poverty	—	−5.1	−18.1	−14.4	−80.2	−114.9	−232.7	B.44
– Additional assistance for Aboriginals	—	−8.2	−19.2	−29.5	−37.5	−39.7	−134.1	B.55
– Improved access to the justice system and compensation of crime victims	—	−6.1	−12.8	−12.5	−11.2	−11.2	−53.8	B.57
– Acting for equality between women and men	−2.1	−4.0	−6.0	−7.0	−8.0	—	−27.1	B.58
– Supporting seniors	−10.8	−2.0	−2.0	−3.0	−4.0	−4.0	−25.8	B.60
– Quality educational and sports infrastructures	—	−1.0	−1.8	−4.6	−5.7	−5.5	−18.6	B.68
– Forces AVENIR: Recognizing and promoting student commitment	−7.5	—	—	—	—	—	−7.5	B.69
– Other measures	−0.4	−3.1	−2.4	−3.1	−3.0	−2.9	−14.9	
Subtotal	**−20.8**	**−29.5**	**−62.3**	**−74.1**	**−149.6**	**−178.2**	**−514.5**	
Subtotal – Further improve the standard of living of Quebecers	**−514.6**	**−660.8**	**−414.0**	**−342.9**	**−423.8**	**−457.8**	**−2 813.9**	

TABLE B.118

Financial impact of the measures of *The Québec Economic Plan – March 2017* (continued)

(millions of dollars)

	2016-2017[1]	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total[2]	Ref. page
Toward a first policy on academic success								
Encourage academic success among our young people								
– Provide better support to families	−27.4	−20.5	−20.5	−20.5	−20.5	−20.5	−129.9	B.72
– Accompany and support in achieving success	−23.0	−169.9	−244.8	−345.2	−445.2	−600.2	−1 828.3	B.76
Subtotal – Toward a first policy on academic success	**−50.4**	**−190.4**	**−265.3**	**−365.7**	**−465.7**	**−620.7**	**−1 958.2**	
Increase sustainable mobility through public transit								
– Réseau électrique métropolitain	—	—	—	−342.0	−341.0	−75.7	−758.7	B.81
– Other measures	—	−61.0	−124.0	−176.0	−184.0	−187.0	−732.0	
Subtotal – Increase sustainable mobility through public transit	**—**	**−61.0**	**−124.0**	**−518.0**	**−525.0**	**−262.7**	**−1 490.7**	
Foster economic development								
Higher learning that meets Québec's future needs	−12.0	−143.0	−250.0	−315.0	−380.0	−380.0	−1 480.0	B.87
Stimulating research and innovation to build the Québec of tomorrow								
– Encourage research and innovation in higher education establishments	—	−20.0	−40.0	−40.0	−40.0	−40.0	−180.0	B.92
– Encourage innovation and a new generation of scientists	−115.0	−20.0	−30.0	−40.0	−50.0	−50.0	−305.0	B.97
– Creation of an artificial intelligence super-cluster	−50.0	—	—	−15.0	−15.0	−20.0	−100.0	B.101
– Implement the life sciences strategy	−2.0	−15.5	−25.0	−25.0	−25.0	−25.0	−117.5	B.106
– Promote the development of the innovative manufacturing sector	—	−3.5	−10.0	−15.0	−12.5	−7.5	−48.5	B.111
– Stimulate innovation in the forest industry	−19.0	−3.5	−6.0	−6.0	−6.0	−5.0	−45.5	B.113
– Promote maritime research	−6.8	−3.0	−3.0	−3.0	−3.0	−3.0	−21.8	B.119
– Other measures	−6.0	−4.3	−0.8	−1.4	−1.4	−1.4	−15.3	
Subtotal	**−198.8**	**−69.8**	**−114.8**	**−145.4**	**−152.9**	**−151.9**	**−833.6**	

TABLE B.118

Financial impact of the measures of *The Québec Economic Plan – March 2017* (continued)

(millions of dollars)

	2016-2017[1]	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total[2]	Ref. page
Foster economic development (continued)								
Promoting entrepreneurship and funding growing businesses								
– Additional support for the new entrepreneurship action plan	—	−10.0	−15.0	−15.0	−15.0	−15.0	−70.0	B.129
– $50 million for the co-operative buyout of businesses	—	−1.0	−1.5	−2.0	−2.5	−3.0	−10.0	B.142
– Increased support for social-economy hubs	—	−1.1	−1.1	−1.1	—	—	−3.3	B.146
– A plan to strengthen the Québec economy as an executive-driven economy	−17.0	−54.0	−59.0	−64.0	−69.0	−74.0	−337.0	B.147
– Other measures	−11.4	—	—	—	—	—	−11.4	
Subtotal	**−28.4**	**−66.1**	**−76.6**	**−82.1**	**−86.5**	**−92.0**	**−431.7**	
Meeting the needs of the labour force								
– Promoting trades in demand	—	−2.0	−2.0	−2.0	−2.0	−2.0	−10.0	B.164
– Help businesses with the management of their labour force	—	−5.4	−5.5	−5.5	−5.5	−5.5	−27.4	B.165
– Supporting the integration of immigrants in the labour market	—	−25.7	−34.2	−36.5	−40.0	−43.0	−179.4	B.170
– Supporting continuing education and development of worker skills	—	−11.0	−13.0	−16.0	−16.0	−16.0	−72.0	B.177
– Measures funded as part of the plan *A plan for success: a lifelong process from early childhood*	—	16.8	19.3	23.3	23.8	23.8	107.0	
Subtotal	**—**	**−27.3**	**−35.4**	**−36.7**	**−39.7**	**−42.7**	**−181.8**	

TABLE B.118

Financial impact of the measures of *The Québec Economic Plan – March 2017* (continued)

(millions of dollars)

	2016-2017(1)	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total(2)	Ref. page
Foster economic development (continued)								
Encourage business investment								
– Additional 35% deduction in the capital cost allowance to encourage business transition to digital technology	—	−20.0	−56.0	−59.0	−26.0	−4.0	−165.0	B.180
– Extension of the tax holiday for large investment projects	—	—	—	—	—	—	—	B.182
Subtotal	**—**	**−20.0**	**−56.0**	**−59.0**	**−26.0**	**−4.0**	**−165.0**	
Promote the economic development of all regions								
– Support the regions as they take charge of their economic development	—	−48.0	−75.0	−102.0	−129.0	−168.0	−522.0	B.195
– Stimulate investment in the agri-food sector	—	−19.2	−27.9	−33.8	−39.1	−39.2	−159.2	B.201
– Accelerate the development of the alcoholic beverage sector	—	−1.4	−1.6	−1.8	−2.0	−2.4	−9.2	B.210
– Québec's financial sector: an important development facilitator	—	−0.5	−1.1	−0.2	−0.4	−0.5	−2.7	B.218
– Tourism as a vector of economic development	−10.0	−19.7	−21.4	−23.0	−24.1	−25.1	−123.3	B.224
– Protect the environment, wildlife, and our renewable resources	−25.0	−31.4	−42.3	−45.8	−44.8	−42.1	−231.4	B.232
– Encourage sustainable mobility in the transportation sector	−2.6	−51.7	−25.2	−2.1	−1.9	−1.1	−84.6	B.247
– Additional actions to support the Maritime Strategy	—	−11.3	−13.0	−13.1	−8.4	−8.4	−54.2	B.259
– New initiatives as part of the Plan Nord	—	−2.6	−12.6	−6.1	−12.0	−12.0	−45.3	B.273
– Improving the delivery of government services and the protection of personal information	—	−1.1	−2.1	−2.1	−2.1	−2.1	−9.5	B.289
Subtotal	**−37.6**	**−186.9**	**−222.2**	**−230.0**	**−263.8**	**−300.9**	**−1 241.4**	

TABLE B.118

Financial impact of the measures of *The Québec Economic Plan – March 2017* (continued)

(millions of dollars)

	2016-2017[1]	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total[2]	Ref. page
Foster economic development (continued)								
Supporting the growing influence of Québec culture								
– Supporting the print news industry to provide varied and regional information	—	−5.5	−7.5	−8.5	−7.5	−7.0	−36.0	B.293
– Enhancement of the tax credit for Québec film productions	—	−0.8	−3.3	−5.0	−5.2	−5.3	−19.6	B.296
– Facilitating the creation of a centre of virtual reality excellence in Québec	—	−0.1	−0.2	−0.3	−0.4	−0.5	−1.5	B.300
– Extend and revise the Québec Culture Capital Fund	—	—	—	—	—	—	—	B.302
– Assistance program for soundtrack producers to support Québec musicians and composers	—	−0.5	−0.5	—	—	—	−1.0	B.304
– Increasing support for the Québec music industry	—	−2.0	−3.0	—	—	—	−5.0	B.306
– Adjustment of the tax credit for the production of multimedia events or environments presented outside Québec	—	−0.5	−0.5	−0.5	−0.5	−0.5	−2.5	B.307
– Providing additional assistance to Télé-Québec to better support original Québec productions	—	−2.0	−2.0	−2.0	−2.0	−2.0	−10.0	B.308
– Additional support to museum institutions and cultural heritage	−11.5	—	—	—	−10.0	−15.5	−37.0	B.309
Subtotal	**−11.5**	**−11.4**	**−17.0**	**−16.3**	**−25.6**	**−30.8**	**−112.6**	
Subtotal – Foster economic development	**−288.3**	**−524.5**	**−772.0**	**−884.5**	**−974.5**	**−1 002.3**	**−4 446.1**	
TOTAL	**−853.3**	**−1 436.7**	**−1 575.3**	**−2 111.1**	**−2 389.0**	**−2 343.5**	**−10 708.9**	

Note: A negative amount indicates a cost for the government.

(1) The subsidies granted in 2016-2017 will enable new initiatives to be funded.

(2) The total does not include the financial impact of the support measures for individuals and communities planned for the years following 2021-2022.

Section C

THE QUÉBEC ECONOMY: RECENT DEVELOPMENTS AND OUTLOOK FOR 2017 AND 2018

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    - 1.2 Continued robust economic growth in the coming years C.8
    - 1.3 A dynamic labour market that reflects the sound economic situation C.9
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1. THE ECONOMIC SITUATION IN QUÉBEC

1.1 Sharp acceleration in Québec's economy

As projected in the March 2016 Québec Economic Plan, the Québec economy picked up pace considerably. Growth in real gross domestic product (GDP) accelerated from 1.2% in 2015 to 1.7% in 2016, the biggest expansion of economic activity since 2011.

— In 2016, economic growth was stronger in Québec than in Canada (1.4%) and the United States (1.6%).

In 2016, economic activity was spurred by faster growth in consumption. Households benefited from strong job creation, particularly full-time and private-sector employment. In addition, Québec's sound public finances and the actions taken by the government are reflected in consumer and business confidence, which were at all-time highs in 2016.

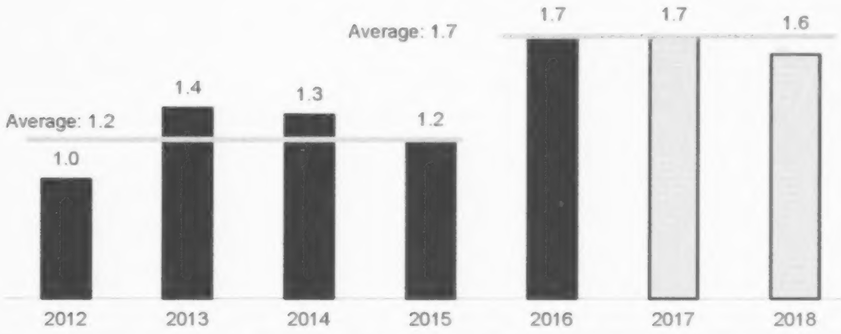
Economic conditions will remain favourable in the coming years. Real GDP growth is forecast at 1.7% in 2017 and 1.6% in 2018.

— The contributing factors in the good economic performance in 2016 will continue boosting economic activity.

— In addition, Québec will benefit from an acceleration in the economies of its major trading partners.

CHART C.1

Economic growth in Québec
(real GDP, percentage change)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

Economic growth has improved Quebecers' living standards

Québec's economic growth in recent years has driven steady improvement in the standard of living, measured by real GDP per capita. Since 2007, living standards in Québec have improved at a similar rate to those in Canada and Ontario.

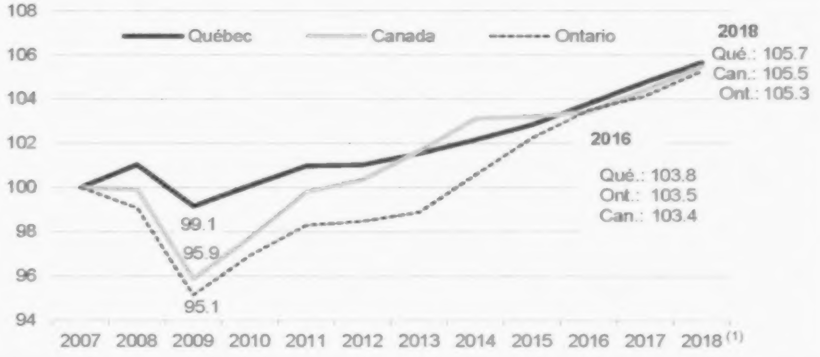
- The 2008-2009 recession was not as severe in Québec as in the rest of Canada.
- Consequently, living standards in Québec declined only slightly in 2009 relative to 2007 (−0.9%), whereas they declined dramatically in Canada (−4.1%) and Ontario (−4.9%).

The gap with pre-recession living standards has gradually closed since 2010. Economic growth in Québec rapidly raised the standard of living above the 2007 level and it continues to rise.

- From 2007 to 2016, real GDP per capita increased by 3.8% in Québec, compared to 3.4% in Canada and 3.5% in Ontario.

In the coming years, continued economic growth will increase the standard of living in Québec at a similar pace to that anticipated in Canada and Ontario.

Standard of living per capita
(Real GDP per capita, index, 2007 = 100)



(1) Ministère des Finances du Québec forecasts for Québec and Canada and Conference Board of Canada forecasts for Ontario.

Sources: Institut de la statistique du Québec, Statistics Canada, Conference Board of Canada and Ministère des Finances du Québec.

❑ The good economic performance is reflected in job creation and consumer and business optimism

Several indicators testify to Québec's currently robust economy.

The faster pace of economic growth in 2016 translated into strong job creation, supported primarily by full-time employment and private-sector employment.

- From January to December 2016, the Québec economy added 90 800 new jobs. This was the strongest job creation among all of the Canadian provinces.
  - In 2016, Québec created an average of 36 100 jobs compared to 2015. On the same year-over-year basis, 53 700 full-time jobs and 35 800 private-sector payroll jobs were added.

Solid job creation fuelled household consumption.

- In particular, the value of retail sales rose by 4.3% in 2016, the biggest increase since 2010.

The favourable economic and budgetary situation also influenced consumer and business confidence.

- In 2016, the Conference Board of Canada's Index of Consumer Confidence reached all-time highs in Québec. The improvement is continuing in 2017.
- In addition, according to the Canadian Federation of Independent Business (CFIB) ranking, Québec small and medium-sized businesses (SMB) were the most optimistic among all the provinces in the first two months of 2017.

TABLE C.1

Change in selected economic indicators in Québec
(annual averages, unless otherwise indicated)

	2015	2016	2017(1)
Total job creation (thousands)	37.3	36.1	90.1
– Creation of full-time jobs (thousands)	45.0	53.7	58.8
– Creation of private-sector payroll jobs (thousands)	28.4	35.8	68.3
Retail sales (percentage change, nominal terms)	0.5	4.3	n/a
Consumer confidence (points, 2014 = 100)	102.8	114.3	128.3
Business confidence (points)	57.9	63.9	67.6

(1) Cumulative for available periods.
Sources: Statistics Canada, Conference Board of Canada and Canadian Federation of Independent Business.

❑ Québec's labour market saw the fastest acceleration among Canadian provinces

From January to December 2016, 90 800 jobs were gained in Québec, including 83 800 full-time jobs and 75 800 jobs in the private sector. The solid job creation mirrors the optimism of Québec businesses and sustains consumer confidence.

Over the same period, Québec saw the strongest total job creation in Canada (40% of the jobs created in Canada) for the first time since 2012.

— In 2016, Québec created more jobs (90 800) than Ontario (83 600) and British Columbia (75 500).

— Québec also created the most full-time jobs (83 800) in Canada, far outstripping British Columbia (37 100) and Ontario (10 600).

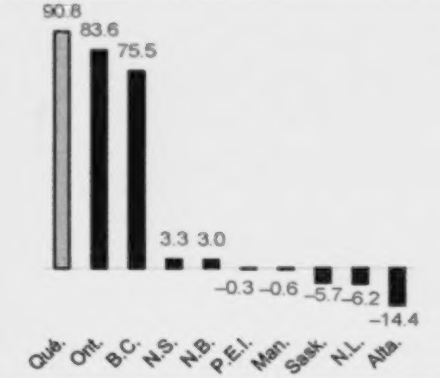
Québec's unemployment rate has fallen gradually in recent years, dropping from 7.7% in 2014 to a historic low of 7.1% in 2016.

— In February 2017, Québec's unemployment rate was 6.4%.

CHART C.2

Job creation in Canada[1]

(thousands)

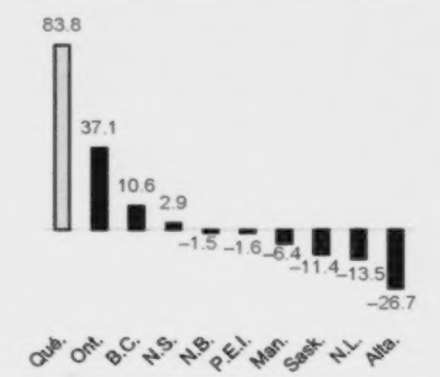


(1) January to December 2016.
Source: Statistics Canada.

CHART C.3

Creation of full-time jobs in Canada[1]

(thousands)



(1) January to December 2016.
Source: Statistics Canada.

Balanced public finances – a strong base for economic growth

Following the 2008-2009 recession, several member countries of the Organisation for Economic Co-operation and Development (OECD) introduced stimulus measures that caused budget deficits to soar. A number of governments subsequently made deficit reduction their priority again.

Sound public finances – a strong base for economic growth

A number of studies have shown that eliminating deficits and reducing debt tend to accelerate economic growth in the medium term, particularly in countries with a high level of public debt.

- According to the International Monetary Fund (IMF), a decrease of 10 percentage points (ppt) in the debt-to-GDP ratio may increase real GDP by more than 1.0% in the medium term.[1]

Enhanced confidence, lower financing cost

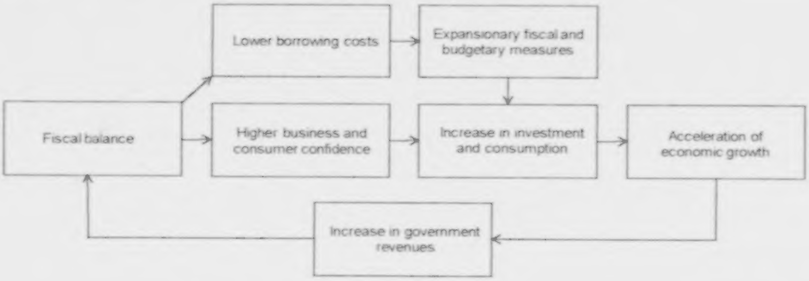
The IMF asserts[2] that loose fiscal policy can lead to uncertainty, which can hamper growth in productivity and investment. On the other hand, according to the IMF and OECD,[3] fiscal balance spurs economic growth in the medium term. It is accompanied by, in particular:

- enhanced consumer and business confidence fuelled by expectations that their fiscal requirements will not increase in the future;
- lower financing costs for the government due to investors' perception that there is a lower financial risk.

These factors reinforce each other, creating a ripple effect for economic growth and public finances.

- Greater consumer and business confidence spurs consumption and investment. The lower cost of borrowing and stronger economic growth give governments greater leeway to provide more effective economic support.

Fiscal balance, confidence and economic growth


Lower borrowing costs
Expansionary fiscal and budgetary measures
Fiscal balance
Higher business and consumer confidence
Increase in investment and consumption
Acceleration of economic growth
Increase in government revenues

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[1] International Monetary Fund, *World Economic Outlook: Recovery, Risk and Rebalancing*, October 2010.

[2] J. Daniel, J. Davis, M. Fouad and C. Van Rijckeghem, *Fiscal Adjustment for Stability and Growth*, International Monetary Fund, Pamphlet Series, No 55-E, 2006.

[3] *Ibid* and OECD (2014), *OECD Economic Outlook*, Vol. 2014/1, OECD Library: http://dx.doi.org/10.1787/eco_outlook-v2014-1-en

1.2 Continued robust economic growth in the coming years

Real GDP growth of 1.7% in 2017 and 1.6% in 2018 will be driven primarily by higher household consumption and faster export growth.

- Québec household consumption will remain a major engine of economic growth. It will be supported by continued job creation and the impact of fiscal measures introduced by the Québec and federal governments.
- In addition, export growth is expected to gain traction in 2017 and 2018.
  - The strengthening Canadian and U.S. economies as well as a favourable Canadian dollar exchange rate will foster more sustained growth in exports in the coming years.
- Furthermore, non-residential business investment is expected to return to growth in 2017.
  - This positive outlook is rooted in, among other things, a number of major investment projects in Québec, in particular the new Champlain Bridge and the Réseau électrique métropolitain (REM) in Montréal.
  - These projects will lever private sector investment as a whole.

TABLE C.2

Real GDP and its major components
(percentage change and contribution in percentage points)

	2016	2017	2018
Contribution of domestic demand	**1.9**	**1.6**	**1.4**
Household consumption	2.4	2.2	1.7
Residential investment	3.8	−0.7	−1.9
Non-residential business investment	−2.3	2.1	3.1
Government spending and investment	1.2	0.6	0.9
Contribution of the external sector	**0.8**	**0.1**	**0.1**
Exports	0.2	2.2	2.2
– International exports	−0.6	2.7	2.4
Imports	−1.5	2.0	1.8
Contribution of inventories	**−0.9**	**0.1**	**0.1**
REAL GDP	**1.7**	**1.7**	**1.6**

Note: Totals may not add due to rounding.
Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

1.3 A dynamic labour market that reflects the sound economic situation

The labour market has performed very well in the last two years. The acceleration in job creation in 2016 boosts consumer confidence and testifies to businesses' increased confidence in Québec's economic outlook.

— From January to December 2016, the Québec economy added 90 800 new jobs, the majority of which are full-time and in the private sector.

— In 2016, Québec averaged a creation of 36 100 jobs compared to 2015, an increase of 0.9%.

Employment growth tied to our sound economy will continue in the coming years.

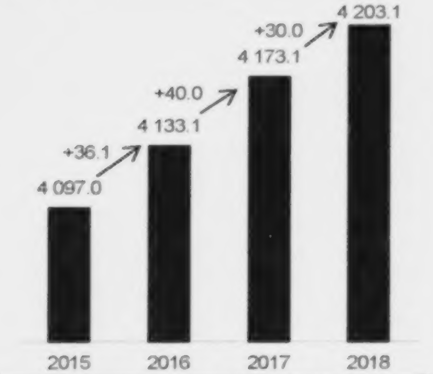
— In 2017, 40 000 new jobs should be added, a 1.0% increase over 2016.

— In 2018, 30 000 jobs should be gained, a 0.7% increase over 2017.

The unemployment rate is expected to continue falling. After dropping to a record low of 7.1% in 2016, Québec's unemployment rate is projected to be 6.6% in 2017 and 6.4% in 2018.

CHART C.4

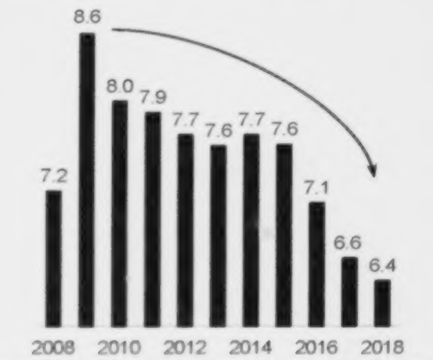
Change in employment in Québec
(thousands)



Sources: Statistics Canada and Ministère des Finances du Québec.

CHART C.5

Unemployment rate in Québec
(per cent)



Sources: Statistics Canada and Ministère des Finances du Québec.

Potential for increased participation of experienced workers

Population aging necessitates greater labour market participation

Québec is currently facing the phenomenon of population aging, which means that the number of people between the ages of 15 and 64, who represent the largest pool of potential workers, is shrinking.

- The entire population will therefore need to participate in the labour market in order to support economic growth and improve Quebecers' living standards.

The employment rate for 15-54 year-olds is higher in Québec than in Canada

Thanks to Québec's dynamic labour market in recent years, employment among people between the ages of 15 and 54 has risen sharply in the last few years. The employment rate for this age group is higher in Québec than in Canada.

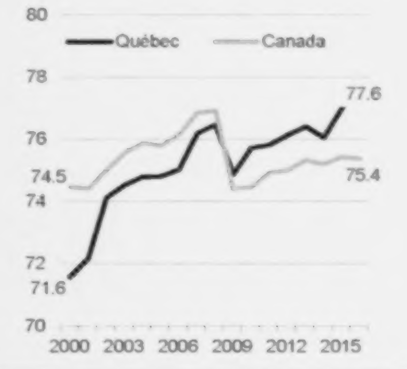
- In 2000, the employment rate for the population aged 15-54, that is, the proportion of people in this age group who were employed, was 71.6% in Québec, compared to 74.5% in Canada.
- In 2016, the employment rate for the population aged 15-54 was higher in Québec (77.6%) than in Canada (75.4%).

Increased participation of women in the workforce

Québec's employment gains in the population aged 15-54 are largely attributable to the increased labour market participation of women. The family-support and access-to-education policies introduced by the Québec government have contributed greatly to this advancement.

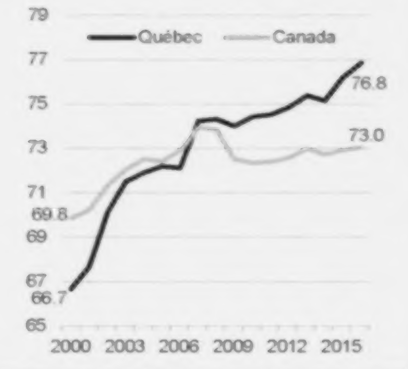
- In Québec, the employment rate for females aged 15-54 rose from 66.7% in 2000 to 76.8% in 2016, a gain of more than 10 percentage points. In Canada, the same rate was only 73.0% in 2016.

Employment rate for people aged 15-54
(per cent)



Source: Statistics Canada.

Employment rate for females aged 15-54
(per cent)



Source: Statistics Canada.

Potential for increased participation of experienced workers (cont.)

Increased labour market participation of experienced workers

The labour market participation of workers aged 55 and over has also grown in Québec in recent years.

- From 2000 to 2016, the employment rate for the population aged 55-64 rose from 41.0% to 57.8% in Québec.
- However, in Canada, the employment rate for the same age group was 61.6% in 2016.

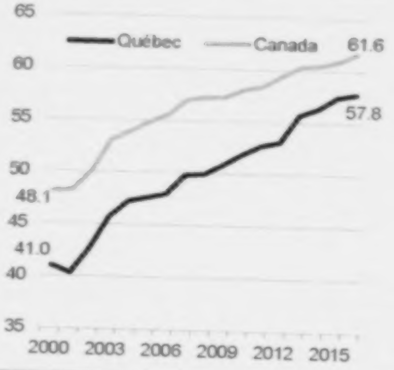
There is still potential for workers aged 55 and over

Despite these improvements, the effective age of retirement in Québec (62.6 years old in 2015) is lower than in Canada as a whole (63.4 years old). Consequently, the employment rates for people aged 55 and over are lower in Québec than in Canada.

- This situation indicates that experienced workers could make a greater contribution to Québec's economic growth.
- Moreover, in 2016, 42.9% of all new jobs created in Québec were held by workers between the ages of 55 and 64, which shows that labour market access for workers in this age group is high.

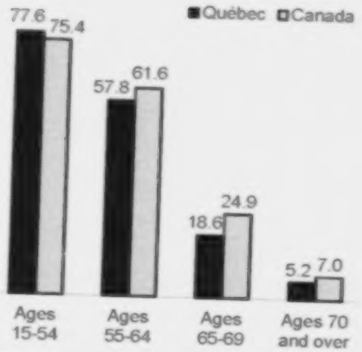
The Québec government encourages labour market participation of people aged 55 and over through incentive measures such as the tax credit for experienced workers, among others.

Employment rate for people aged 55-64
(per cent)



Source: Statistics Canada.

Employment rate by age group in 2016
(per cent)



Source: Statistics Canada.

1.4 Household consumption expenditure – a driver of economic growth

Following a solid gain of 3.2% in nominal terms in 2016, household consumption expenditure is forecast to grow by 3.5% in 2017 and 3.2% in 2018.

— Several factors contributed to the good performance in 2016, in particular strong job creation, which translated into faster salary and wage growth, and government measures to ease the tax burden on taxpayers.

— Furthermore, peak levels of consumer confidence reflect the optimism in Québec's economic outlook.

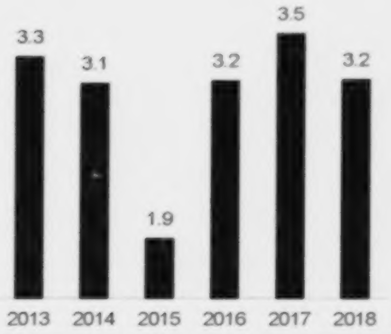
Household spending will remain one of the main drivers of economic growth in Québec. In the coming years, households will continue to benefit from sustained job creation, low energy prices and the tax relief measures announced in the Québec Economic Plan, in particular the elimination of the health contribution.

❑ Substantial increase in household disposable income

Household disposable income rose sharply in 2016, increasing by 4.5% in nominal terms. The higher disposable income, coupled with a lower cost-of-living increase in Québec than in the rest of Canada, gave households substantially more purchasing power.

CHART C.6

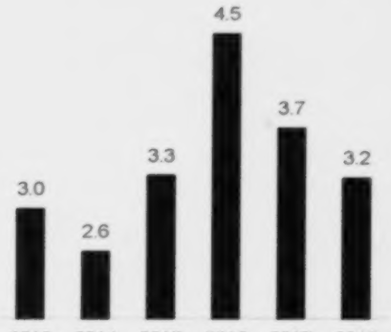
Household consumption expenditure in Québec
(percentage change, in nominal terms)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

CHART C.7

Household disposable income in Québec
(percentage change, in nominal terms)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

Québec consumer confidence at an all-time high

The Conference Board of Canada's Index of Consumer Confidence has risen significantly in Québec since the start of 2016.

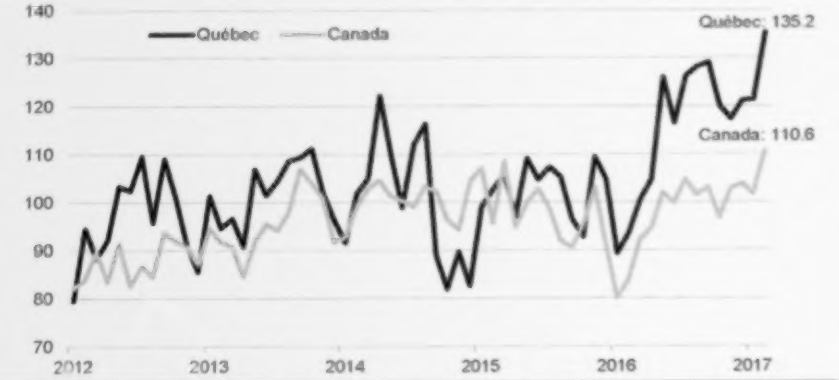
- The consumer confidence index rose from 89.3 points in January 2016 to 121.1 points in December.
  - In February 2017, the index for Québec was at 135.2 points, a peak since November 2007.
- The confidence index shows a much higher level of optimism than in 2014, when the index was at 100 points.

The improvement was not as strong in Canada.

- The consumer confidence index for Canada stood at 110.6 points in February 2017.

The high level of consumer confidence in Québec heralds sustained growth in household consumption in the coming quarters.

Change in the Index of Consumer Confidence
(points, 2014 = 100)



Source: Conference Board of Canada.

Substantial increase in Quebecers' purchasing power

In 2016, the sharp increase in household disposable income, coupled with a more moderate cost-of-living increase in Québec compared to other provinces, gave Québec households much more purchasing power.

In 2016, Québec saw a lower price increase than Canada and Ontario.

- The consumer price index (CPI) rose by 0.7% in Québec versus 1.4% in Canada and 1.8% in Ontario.

The low rate of inflation in Québec is not synonymous with economic hardship. Household consumption saw robust growth in 2016.

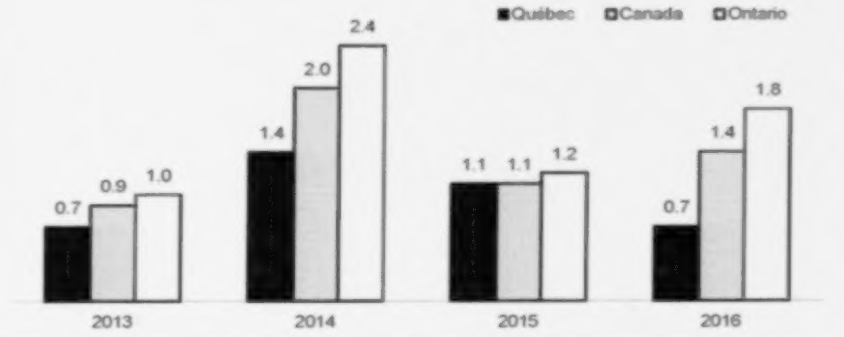
- Retail sales for the full year 2016 climbed by 4.3% in Québec. This is a higher growth rate than in Canada (+3.7%).

The cost-of-living increased less in Québec

The inflation gaps with Canada and Ontario in 2016 may be largely attributable to three key factors specific to Québec:

- electricity rates (increase of just 1.0% in Québec in 2016);
- cost of home ownership (+1.1%);
- automobile insurance rates (−6.5%);

Change in total consumer price index
(percentage change)



Source: Statistics Canada.

Substantial increase in Quebecers' purchasing power (cont.)

Price of electricity

In April 2016, Hydro-Québec increased its electricity rates by just 0.7%. This was the lowest hike in four years.

- In 2016 relative to 2015, the electricity component of the CPI increased by 1.0% in Québec, compared to 5.7% in Canada and 15.1% in Ontario.

Home ownership

One of the components of the CPI relates to the cost of owning a home. Variations in the home ownership component depend mainly on housing prices and interest rates.

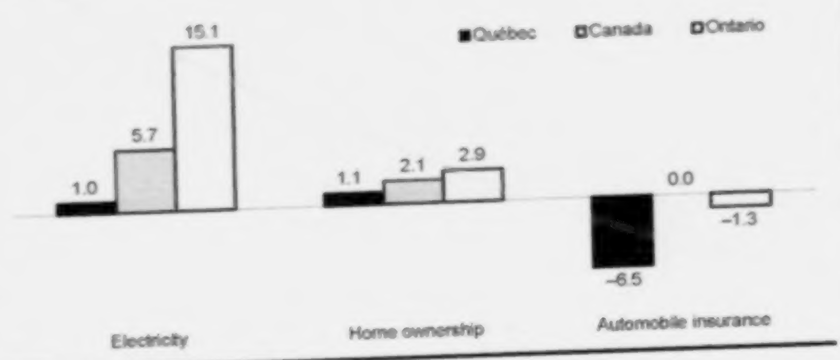
- In 2016 relative to 2015, the home ownership component rose by only 1.1% in Québec, compared to 2.1% in Canada and 2.9% in Ontario.

Automobile insurance premiums

The Société de l'assurance automobile du Québec reduced the insurance contributions included in driver's licences and vehicle registrations. The reductions impacted total automobile insurance costs in Québec.

- In 2016 compared to 2015, this component decreased by 6.5% in Québec, whereas it remained flat in Canada and fell by 1.3% in Ontario.

Consumer price index for selected components in 2016
(percentage change)



Source: Statistics Canada.

1.5 Anticipated rebound in non-residential business investment

Non-residential business investment is expected to increase by 2.1% in 2017 and 3.1% in 2018 in real terms, after being weak since 2013.

- Like Québec (−2.3%), Ontario (−0.2%), Canada (−7.9%) and the United States (−0.5%) also saw declines in non-residential investment in 2016.

The rebound will be driven by an increase in the main investment sub-categories, especially:

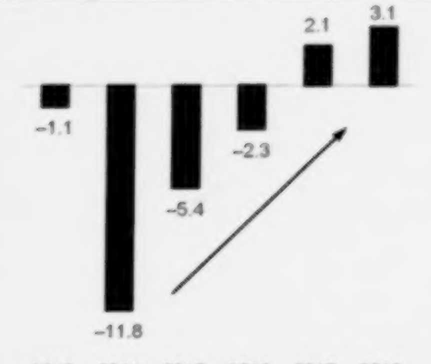
- investment in machinery and equipment, which is expected to climb by 2.7% in 2017 and 4.1% in 2018;
- investment in non-residential building construction is forecast to climb by 2.4% annually in 2017 and 2018.

Furthermore, the most recent Statistics Canada Capital and Repair Expenditures Survey (CAPEX) confirms that businesses intend to increase their investments in Québec in 2017.

CHART C.8

Total non-residential business investment in Québec

(percentage change, in real terms)

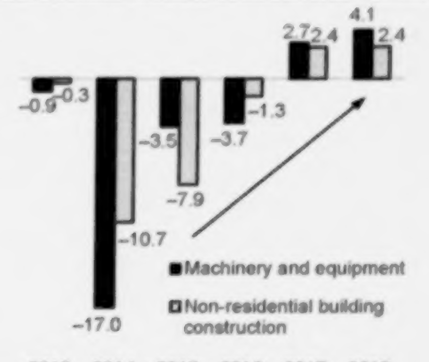


Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

CHART C.9

Investment in machinery and equipment and non-residential building construction in Québec

(percentage change, in real terms)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

❑ High business confidence is good for investment

A number of signs continue to point to a recovery in non-residential business investment in Québec.

Businesses' renewed confidence in Québec's economy is a key factor for a rebound in business investment.

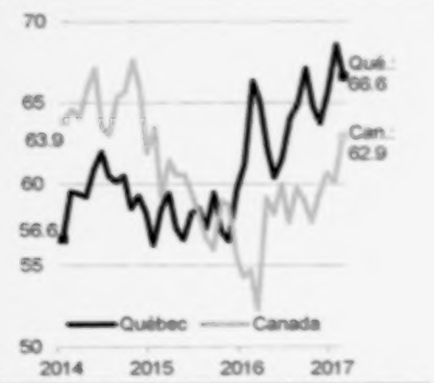
- The Canadian Federation of Independent Business' (CFIB) Business Barometer Index, which measures small and medium-sized business (SMB) confidence, has averaged 67.6 points in 2017. This shows that Québec SMBs are the most optimistic in Canada.
- According to CFIB, one normally sees an index level of between 65 and 70 when the economy is growing at its potential.

In addition, the industrial capacity utilization rate in Canada's manufacturing sector is close to the peak levels seen prior to 2008-2009 recession, due primarily to:

- robust growth in household consumption, which fuels demand for Québec-made products;
- stronger economic growth in Canada and the United States, which boosts demand for Québec products by way of exports.

CHART C.10

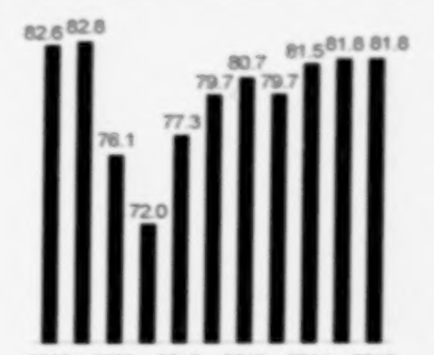
Business Barometer Index for SMBs
(points)



Source: Canadian Federation of Independent Business.

CHART C.11

Industrial capacity utilization rate in Canada's manufacturing sector
(per cent)



Source: Statistics Canada.

Québec leads in investment intentions for 2017

The most recent Statistics Canada Capital and Repair Expenditures Survey (CAPEX) shows that businesses and governments intend to increase their investments in Québec in 2017.

According to Statistics Canada, the value of total non-residential investment in Québec is expected to rise to $38.3 billion in 2017,[1] a 4.9% increase over 2016.

- Québec saw the highest increase in investment intentions among the Canadian provinces in 2017.

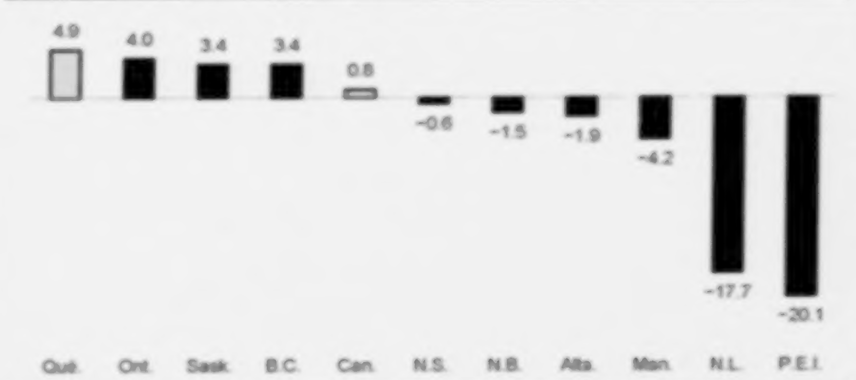
The value of total non-residential investment in Canada is expected to reach $240.5 billion in 2017, up 0.8% from 2016.

- The investment outlook for 2017 is positive for only four of Canada's ten provinces: Québec (+4.9%), Ontario (+4.0%), Saskatchewan (+3.4%) and British Columbia (+3.4%).

According to the survey, the main investment categories will rise in Québec in 2017. In particular:

- investment in non-residential construction should climb by 6.1%, to $25.1 billion;
- investment in machinery and equipment should grow by 2.6% in 2017, to $13.2 billion.
  - This investment category is expected to increase only in Québec (+2.6%) and Ontario (+1.4%) in 2017.

Total non-residential investment by province, outlook for 2017
(percentage change, in nominal terms)



Source: Statistics Canada.

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[1] Statistics for 2017 represent investment intentions.

❑ Residential sector remains balanced

In 2016, residential investment climbed by 3.8%. The growth is attributable to a 3.7% increase in home renovation spending and a 2.7% increase in housing starts.

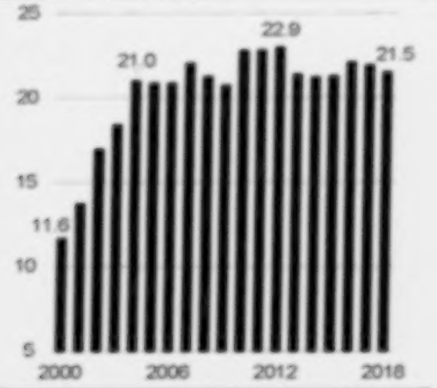
In 2017 and 2018, residential investment is expected to remain at similar levels to those seen in the last few years.

— More specifically, spending on renovations is forecast to increase in real terms by 3.0% in 2017 and 1.7% in 2018. In 2017, home renovation spending will continue to benefit from the RénoVert tax credit introduced by the Québec government in March 2016 and renewed under the March 2017 Québec Economic Plan.

— Housing starts are expected to stand at 36 400 units in 2017 and 34 000 units in 2018. They should continue trending in line with demographic determinants in the coming years.

CHART C.12

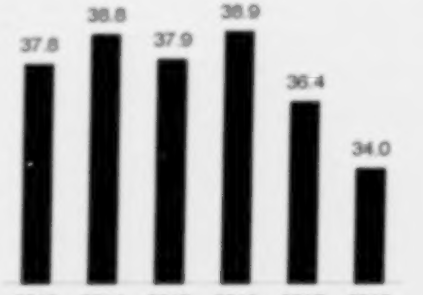
Residential investment in Québec
(billions of 2007 dollars)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

CHART C.13

Housing starts in Québec
(thousands)



Sources: Canada Mortgage and Housing Corporation and Ministère des Finances du Québec.

☐ Government investments remain high

Public administrations in Québec, in particular the Québec government, municipalities and the federal government, will maintain a high level of infrastructure investment.

Investing in infrastructure is an important economic engine and ensures better-quality infrastructure for the public and businesses alike.

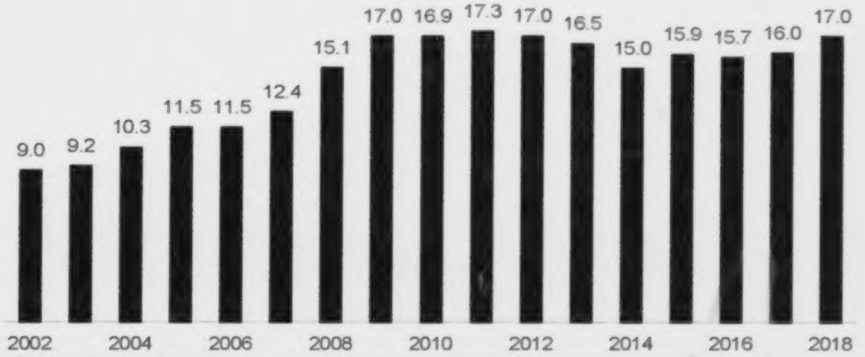
- In 2016, the total annual value of infrastructure investments by all levels of government was $15.7 billion, up more than 25% over 2007, the year of the Québec Infrastructure Plan's inception.
- The forecasted value of investments by all levels of government is $16 billion in 2017 and $17 billion in 2018.

In particular, the Québec government will maintain a high level of investment under Québec Infrastructure Plan (QIP), at more than $90 billion over the ten-year period from 2017-2018 to 2026-2027.

- More specifically, over the next two years, public capital investments under the QIP will total approximately $10 billion a year.
- Thus, the QIP alone accounts for roughly 60% of total public investments in Québec. The QIP represents approximately 2.2% of Québec's GDP, while federal government spending on infrastructure is projected to be 0.5% of Canada's GDP in 2017-2018.

CHART C.14

Government investments in Québec
(billions of dollars, in nominal terms)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

1.6 A favourable context for export growth

Export growth is expected to pick up pace over the next two years, mainly due to the anticipated strengthening of economic activity in Canada and the United States. Québec exports are projected to grow by 2.2% annually in 2017 and 2018.

- Exports will continue to benefit from the weak Canadian dollar, which makes Québec exports more competitive on international markets.
- In addition, the new U.S. administration's fiscal stimulus plan should support U.S. demand for imported products.

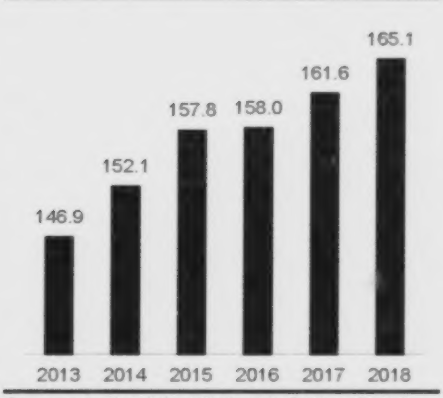
Québec exports remained high in 2016, despite a slower growth.

- A deceleration in economic activity in Canada and the United States slowed Québec exports at the beginning of 2016. They returned to growth in the second half of the year.
- More specifically, slower economic growth in the United States in 2016 was accompanied by a decline in private investment. Québec exports are influenced by investment trends in the United States.

CHART C.15

Québec's total exports

(billions of 2007 dollars, in real terms)

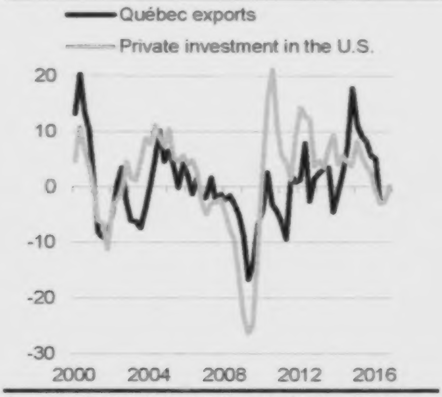


Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

CHART C.16

Québec international goods exports and private investment in the United States

(annual percentage change, in real terms)



Sources: Institut de la statistique du Québec, Statistics Canada, IHS Markit and Ministère des Finances du Québec.

Economic situation in the United States and how it impacts Québec exports

Québec exports to the United States remain at record highs

After contracting during the 2008-2009 recession, Québec's international exports of goods to the United States, Québec's biggest international trading partner, picked up sharply.

- The value of goods exports to the United States rose by 13.6% in 2014 and 11.7% in 2015. The increase in 2015 represented the fifth consecutive year of export growth.

In 2016, the value of Québec's exports to the U.S. fell by 4.0%.

- The United States got off to a slow start in 2016. In the first quarter, real GDP growth slowed to an annualized rate of 0.8%.

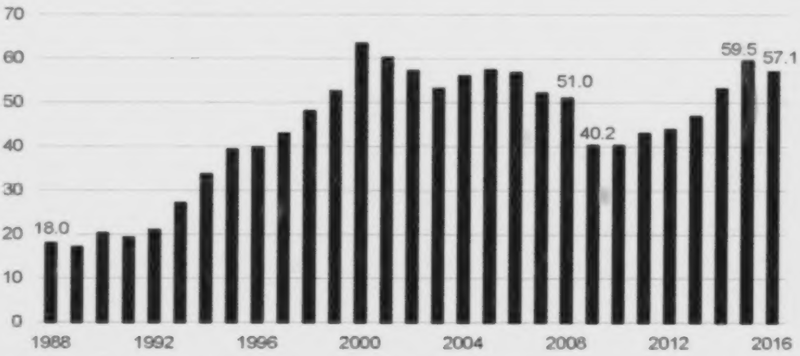
Despite this downturn, Québec exports to the United States remain at record-high levels.

- In 2016, Québec exported $57.1 billion worth of goods to the United States, exceeding 2008 levels prior to the recession.

Future renegotiation of the North American Free Trade Agreement (NAFTA) could affect Québec exports. The effects could be either positive or negative.

- Currently, there is no measure restricting Québec exports to the United States.
- Furthermore, renegotiation of NAFTA could remove uncertainties and forge new economic ties between Canada and the United States.

Québec's international exports of goods to the United States
(billions of dollars, in nominal terms)



Source: Institut de la statistique du Québec.

☐ The sound economy should trigger a rebound in imports

Hampered by the weak Canadian dollar, Québec imports fell by 1.5% in 2016 in real terms. They are expected to return to growth in 2017 and 2018, with forecast increases of 2.0% and 1.8%, respectively.

— Household consumption will continue to drive import growth.

— Québec's imports will also be buoyed by the recovery in exports and non-residential business investment.

☐ The external sector will continue contributing to economic growth

Net exports, which account for changes in exports and imports, contributed 0.8 percentage point (ppt) to real GDP growth in 2016.

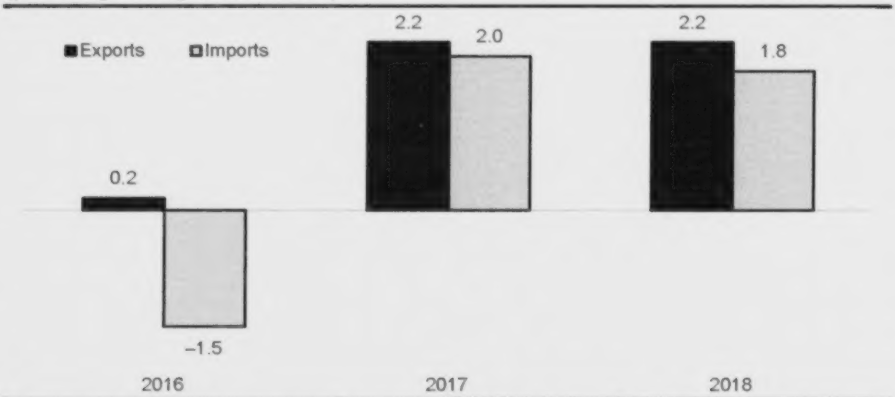
Net exports should continue contributing positively to economic growth in 2017 and 2018.

— Net exports will add 0.1 ppt to economic growth annually in 2017 and 2018.

— This contribution will stem from a steadier increase in exports than in imports.

CHART C.17

Québec exports and imports
(percentage change, in real terms)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

1.7 Acceleration of nominal GDP growth

After increasing by 3.0% in 2016, nominal GDP growth is forecast at 3.3% annually in 2017 and 2018, the same forecast as in the March 2016 Québec Economic Plan.

Nominal GDP will grow due to the combination of an increase in real economic activity and in the GDP deflator, which measures changes in prices in the overall economy.

- Real GDP is expected to increase by 1.7% in 2017 and 1.6% in 2018.
- The GDP deflator is projected to rise by 1.5% in 2017 and 1.7% in 2018. The increase will be mainly due to a gradual increase in the price of energy products, which will spur more sustained consumer price growth.

TABLE C.3

Economic growth in Québec
(percentage change)

	2015	2016	2017	2018
Real GDP	1.2	1.7	1.7	1.6
Prices – GDP deflator	1.4	1.2	1.5	1.7
Nominal GDP	2.6	3.0	3.3	3.3

Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

☐ Consumer price growth picks up

Like several economies, Québec experienced a period of low inflation. Falling energy prices put a drag on consumer price growth in several countries in recent years.

Total CPI growth should gradually pick up pace in Québec, climbing from 0.7% in 2016 to 1.6% in 2017 and 1.9% in 2018.

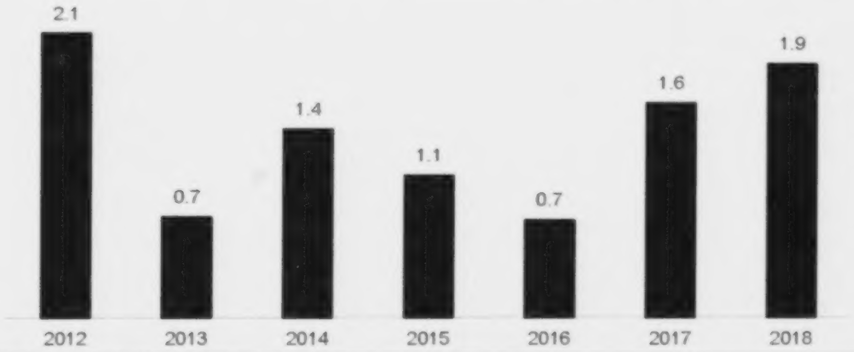
- Gradually rising oil prices should bring inflation close to 2.0%.
- A good performance by domestic demand will also help sustain price growth.
- The low Canadian dollar will continue putting upward pressure on the price of imported goods.

However, the price acceleration will be gradual. For the sixth year in a row, the CPI increase in Québec will remain below 2.0% in 2018.

- The weaker price growth in Québec translates into a more moderate increase in the cost of living. This is mainly attributable to smaller increases in a number of tariffs and more affordable real estate.[1]

CHART C.18

Change in the consumer price index in Québec
(percentage change)



Sources: Statistics Canada and Ministère des Finances du Québec.

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[1] See box "Substantial increase in Quebecers' purchasing power" on pages C.14 and C.15.

1.8 Comparison with private sector forecasts

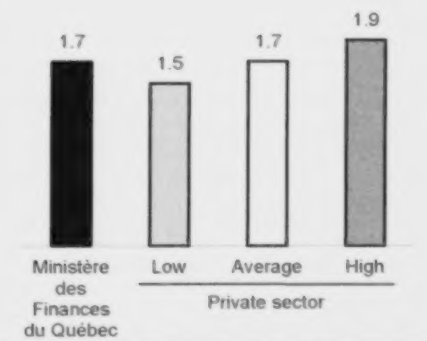
The Ministère des Finances du Québec's economic growth forecast for 2017 and 2018 is comparable to the average private sector forecast.

— For 2017, the real GDP growth forecast is 1.7%. This is the same as the average private sector forecast.

— For 2018, the real GDP growth forecast is 1.6%. This is also the same as the average sector forecast.

CHART C.19

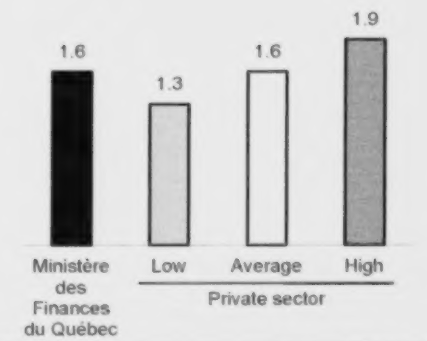
Economic growth in Québec in 2017
(real GDP, percentage change)



Source: Ministère des Finances du Québec summary as of March 6, 2017, which includes the forecasts of 11 private sector institutions.

CHART C.20

Economic growth in Québec in 2018
(real GDP, percentage change)



Source: Ministère des Finances du Québec summary as of March 6, 2017, which includes the forecasts of 11 private sector institutions.

TABLE C.4

Economic outlook for Québec

(percentage change, unless otherwise indicated)

	2016	2017	2018
Output			
Real gross domestic product	1.7	1.7	1.6
Nominal gross domestic product	3.0	3.3	3.3
Nominal gross domestic product ($billion)	392.4	405.4	418.9
Components of GDP (in real terms)			
Final domestic demand	1.8	1.6	1.4
– Household consumption	2.4	2.2	1.7
– Government spending and investment	1.2	0.6	0.9
– Residential investment	3.8	−0.7	−1.9
– Non-residential business investment	−2.3	2.1	3.1
Exports	0.2	2.2	2.2
Imports	−1.5	2.0	1.8
Labour market			
Population (thousands)	8 326.1	8 391.3	8 455.7
Population aged 15 and over (thousands)	6 887.9	6 931.0	6 973.4
Jobs (thousands)	4 133.1	4 173.1	4 203.1
Job creation (thousands)	36.1	40.0	30.0
Unemployment rate (%)	7.1	6.6	6.4
Other economic indicators (in nominal terms)			
Household consumption	3.2	3.5	3.2
– Excluding gasoline	3.4	3.2	3.2
– Excluding food and rent	3.2	3.7	3.1
Housing starts (thousands of units)	38.9	36.4	34.0
Residential investment	5.0	1.3	0.0
Non-residential business investment	0.2	4.2	4.0
Wages and salaries	3.6	3.4	3.2
Household income	3.6	3.5	3.3
Net operating surplus of corporations	3.1	5.2	5.2
Consumer price index	0.7	1.6	1.9
– Excluding food and energy	1.1	1.1	1.7
GDP per capita ($)	47 130	48 309	49 535
Disposable income per capita ($)	27 844	28 643	29 345

Sources: Institut de la statistique du Québec, Statistics Canada, Canada Mortgage and Housing Corporation and Ministère des Finances du Québec.

1.9 Five-year economic outlook for 2017-2021

The Ministère des Finances du Québec's five-year forecasts are similar to the average private sector forecasts for real GDP growth, price increases and nominal GDP growth.

— For real GDP, the Ministère des Finances du Québec forecasts an average growth rate of 1.5% from 2017 to 2021, which is the same growth rate forecast by the private sector.

— For nominal GDP, the Ministère des Finances du Québec forecasts an average growth rate of 3.2% from 2017 to 2021, which is slightly below the 3.3% average growth forecast by the private sector.

TABLE C.5

Québec economic outlook – Comparison with the private sector
(percentage change)

	2016	2017	2018	2019	2020	2021	Average 2017-2021
Real GDP							
Ministère des Finances du Québec	1.7	1.7	1.6	1.5	1.4	1.2	1.5
Private sector average	1.7	1.7	1.6	1.4	1.3	1.4	1.5
Price change(1)							
Ministère des Finances du Québec	1.2	1.5	1.7	1.7	1.7	1.7	1.7
Private sector average	1.2	1.7	1.7	1.8	1.8	1.8	1.8
Nominal GDP							
Ministère des Finances du Québec	3.0	3.3	3.3	3.3	3.1	2.9	3.2
Private sector average	3.0	3.4	3.3	3.2	3.1	3.3	3.3

Note: Averages may not add due to rounding.
(1) GDP deflator.
Source: Ministère des Finances du Québec summary as of March 6, 2017, which includes the forecasts of 11 private sector institutions.

❑ Productivity and employment gains will drive growth in the coming years

Québec real GDP is forecast to grow at an average annual rate of 1.4% from 2019 to 2021.

The key factors of economic growth, measured by the increase in real GDP, are as follows:

- demographic growth, indicated by changes in the population aged 15-64, which constitutes the main pool of potential workers;
- employment growth, reflected in a higher employment rate, that is, the total number of workers in relation to the population aged 15-64;
- productivity growth, that is, the growth in output per job.

Between 1982 and 2010, the increase in GDP was based more or less equally on the three factors listed above. However, demographics stopped contributing to real GDP growth a few years ago.

- Against this backdrop, an increase in the employment rate and productivity growth will be the drivers of Québec's economic growth going forward.

TABLE C.6

Contribution of economic growth factors in Québec
(average annual percentage change and contribution in percentage points)

	Historical		Forecast			
	1982-2010	2011-2015	2016	2017	2018	2019-2021
Real GDP (percentage change)	2.0	1.4	1.7	1.7	1.6	1.4
Growth factors (contribution):						
Potential labour pool(1)	0.6	0.2	−0.1	−0.1	−0.1	−0.2
Employment rate(2)	0.6	0.6	1.0	1.1	0.9	0.8
Productivity(3)	0.8	0.6	0.9	0.8	0.9	0.8

Note: Totals may not add due to rounding.
(1) Population aged 15-64.
(2) Total number of workers in relation to the population aged 15-64.
(3) Real GDP per worker.
Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

2. THE SITUATION OF QUÉBEC'S MAIN ECONOMIC PARTNERS

The Québec economy is open to the world. In 2015, total exports accounted for over 47% of Québec's nominal GDP.

— While Québec has diversified its trade in recent years, Canada and the United States remain its main trading partners.

☐ Québec's economic activity is influenced by the situation of its main trading partners

Economic activity in Québec is influenced by the situation of its main trading partners, in particular through exports. Over the next two years:

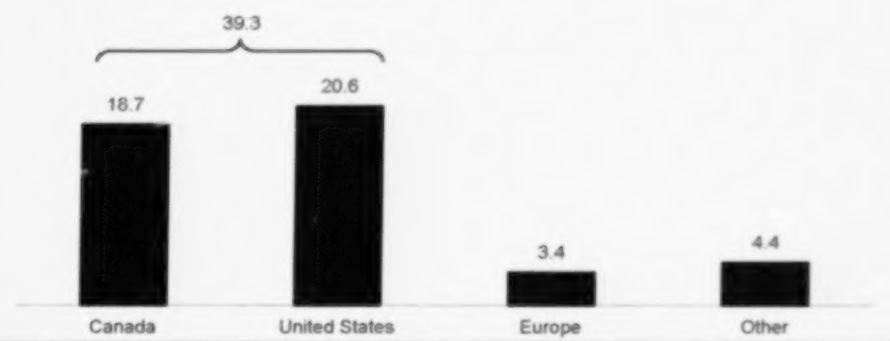
— Canada's economy will get stronger, driven by a gradual increase in oil prices;

— following a slowdown in 2016, economic growth will accelerate in the United States, spurred by robust domestic demand and the impact of the new administration's planned stimulus measures.

In addition, Québec's exports to the rest of the world are expected to benefit from a slight acceleration of global economic activity.

CHART C.21

Share of exports in Québec's GDP, by destination
(percentage of nominal GDP, 2015)



Note: Figures have been rounded.
Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

2.1 The economic situation in Canada

❑ Canada's economy is recovering

Canada's real GDP growth is expected to accelerate to 1.9% in 2017 and 2.0% in 2018, after two years of slower economic growth due to the energy sector.

— In 2015 and 2016, the oil-producing provinces experienced a downturn in their economic situation due to the protracted weakness in crude oil prices and resulting decline in oil production.

In 2017 and 2018, gradually rising oil prices and continued growth in non-oil-producing provinces will spur a recovery in economic activity in Canada.

— Business investment in both the energy and non-energy sectors is expected to pick up starting in 2017.

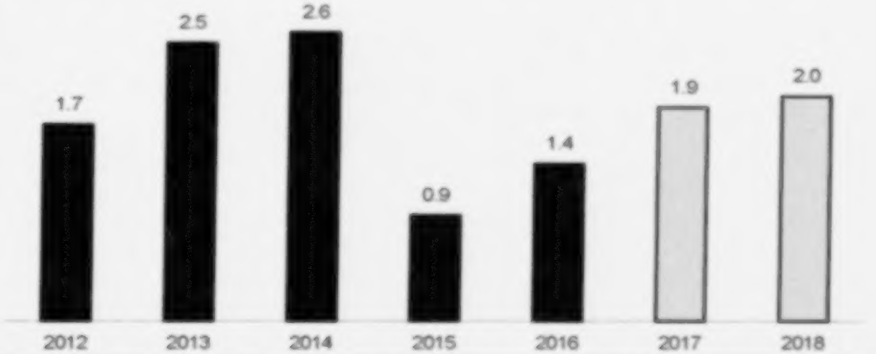
— Consumer spending will remain the main driver of economic growth in the coming years. Moreover, a strong performance by employment will continue to boost household consumption.

— In addition, a stronger U.S. economy in combination with a weak Canadian dollar will spur Canadian exports.

— Furthermore, the federal government's fiscal measures will continue providing additional support to economic activity.

CHART C.22

Economic growth in Canada
(real GDP, percentage change)



Sources: Statistics Canada and Ministère des Finances du Québec.

The following table presents the main elements of Canada's economic outlook.

TABLE C.7

Economic outlook for Canada
(percentage change, unless otherwise indicated)

	2016	2017	2018
Output			
Real gross domestic product	1.4	1.9	2.0
Components of GDP (in real terms)			
Household consumption	2.2	2.0	1.9
Non-residential business investment	–7.9	2.2	5.0
Residential investment	2.9	–3.8	–2.1
Government spending and investment	1.9	1.2	1.9
Exports	1.1	2.3	2.6
Imports	–1.0	1.4	2.8
Labour market			
Job creation (thousands)	133.3	197.6	177.3
Unemployment rate (%)	7.0	6.8	6.6
Other economic indicators			
Housing starts (thousands of units)	197.9	181.7	177.7
Consumer price index	1.4	2.0	2.0

Sources: Statistics Canada, Canada Mortgage and Housing Corporation and Ministère des Finances du Québec.

☐ Household consumption will remain strong

Household consumption expenditure will be the main driver of Canada's economic growth. It is projected to grow in real terms by 2.0% in 2017 and 1.9% in 2018.

— Consumer spending will be supported by job creation in particular. The number of new jobs is expected to be 197 600 in 2017 (+1.1%) and 177 300 in 2018 (+1.0%).

☐ Anticipated slowdown in the residential sector

The Canadian residential sector is expected to decelerate starting in 2017 after seeing strong growth in 2016, driven by the busy Vancouver and Toronto real estate markets.

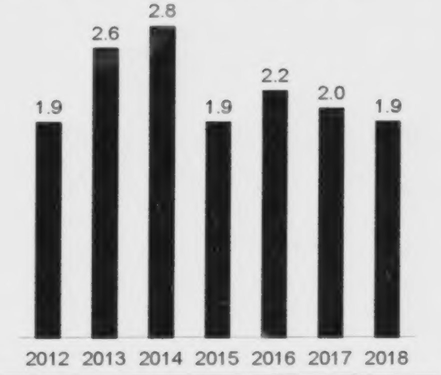
After increasing by 1.2% in 2016, the number of housing starts is expected to contract by 8.2% in 2017 and 2.2% in 2018, to close to 180 000 units.

— The combined effect of several measures introduced in 2016 to stabilize the Canadian residential sector will put a drag on housing starts as well as activity in Canada's busiest housing resale markets.

— In addition, housing demand will be tempered by expectations of gradually rising mortgage rates.

CHART C.23

Household consumption expenditure in Canada
(percentage change, in real terms)

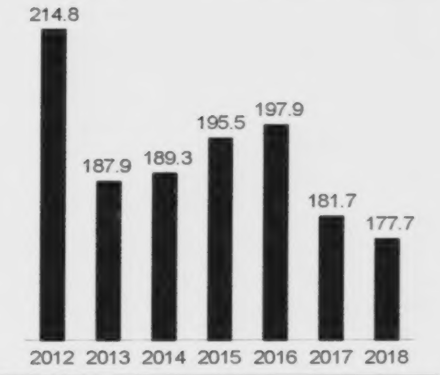


Sources: Statistics Canada and Ministère des Finances du Québec.

CHART C.24

Housing starts in Canada

(thousands)



Sources: Canada Mortgage and Housing Corporation and Ministère des Finances du Québec.

❑ Upturn in business investment

Non-residential business investment is expected to pick up in Canada, increasing in real terms by 2.2% in 2017 and 5.0% in 2018 after falling sharply two years in a row.

— A gradual rebound in oil prices should spur an upturn in energy investment. However, investment levels will still remain well below the recent-year peaks.

— Manufacturing investment is expected to pick up as well. A favourable trend in the Canadian dollar as well as an acceleration of foreign demand push up the rate of capacity utilization in Canada's manufacturing sector.

❑ Faster growth in exports

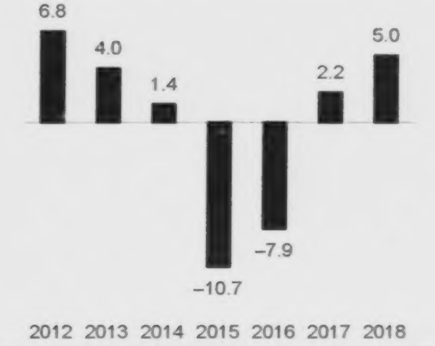
Canadian exports are projected to grow by 2.3% in 2017 and 2.6% in 2018, in real terms.

— Stronger economic growth in the United States and the weak Canadian dollar should provide Canada's exports with an added boost in the coming years.

Renegotiation of the North American Free Trade Agreement (NAFTA) could affect Canadian exports, although the risk is low given the balanced trading relationship between Canada and the United States.

CHART C.25

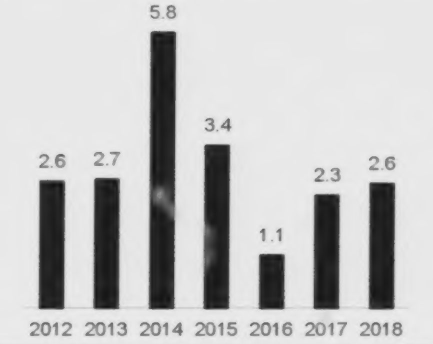
Non-residential business investment in Canada
(percentage change, in real terms)



Sources: Statistics Canada and Ministère des Finances du Québec.

CHART C.26

Canadian exports
(percentage change, in real terms)



Sources: Statistics Canada and Ministère des Finances du Québec.

Balanced trading relationship between Canada and the United States

Canada is the United States' largest export market

According to U.S. trade data, the United States exported almost US$1 455 billion worth of goods in 2016.

- Canada was the United States' largest export market, accounting for 18.3% of U.S. goods exports.

In 2015 Canada was the primary destination for exports from 35 U.S. states.

- Michigan, Texas, Ohio, Illinois, New York, California, Indiana and Pennsylvania were the states that exported most heavily to Canada.

U.S. goods exports in 2016
(billions of U.S. dollars and share as a percentage)

	Goods exports	Share of total goods exports
Canada	**266.8**	**18.3**
Mexico	231.0	15.9
China	115.8	8.0
TOTAL	**1 454.6**	**100.0**

Source: U.S. Census Bureau.

Canada is the United States' third largest supplier

In 2016, the United States imported nearly US$2 189 billion worth of goods, mostly from China.

- Canada was the third largest supplier of goods to the United States, at 12.7% of U.S. imports.

In 2015 Canada was the largest supplier of goods to 15 U.S. states.

- Michigan, Illinois, California, New York, Texas, Ohio, Washington and Pennsylvania were the states that imported most heavily from Canada.

U.S. goods imports in 2016
(billions of U.S. dollars and share as a percentage)

	Goods imports	Share of total goods imports
China	462.8	21.1
Mexico	294.2	13.4
Canada	**278.1**	**12.7**
TOTAL	**2 188.9**	**100.0**

Source: U.S. Census Bureau.

Balanced trading relationship between Canada and the United States (cont.)

The United States has a small trade deficit with Canada

The total U.S. goods trade deficit in 2016 was roughly US$734 billion.

- The United States' trade deficit with Canada was close to US$11.2 billion, or 1.5% of its total trade deficit. This is much smaller than the trade deficit with China (almost 50% of the total U.S. trade deficit) and Mexico (8.6%).

U.S. goods trade deficit in 2016
(billions of U.S. dollars and share as a percentage)

	Goods trade deficit	Share of total goods deficit
China	347.0	47.3
Mexico	63.2	8.6
Canada	**11.2**	**1.5**
TOTAL	**734.3**	**100.0**

Source: U.S. Census Bureau.

The United States has a trade surplus in services

In 2016, the United States ran a surplus of US$249 billion in services trade.

- The United States' services trade surplus with Canada was upward of US$24 billion, or 9.9% of the total surplus, behind China (15.0%), but ahead of Mexico (3.0%).

The U.S. trade surplus with Canada in services is primarily attributable to the higher number of Canadian travellers to the United States. For example, in 2016:

- Canadians made over 40 million trips to the United States;
- Americans made just 24 million trips to Canada.

U.S. services trade surplus in 2016
(billions of U.S. dollars and share as a percentage)

	Services trade surplus	Share of total services surplus
China	37.4	15.0
Canada	**24.6**	**9.9**
Mexico	7.6	3.0
TOTAL	**249.4**	**100.0**

Source: U.S. Census Bureau.

2.2 The economic situation in the United States

☐ U.S. economic growth buoyed by domestic demand

Growth in the U.S. economy slowed temporarily in 2016, to 1.6%. The slowdown is mainly attributable to a sluggish start to the year, which was also observed worldwide. The U.S. economy strengthened in the second half of the year.

In 2017 and 2018, U.S. growth is expected to accelerate to 2.2% and 2.3%, respectively, driven by rising domestic demand as a result of the federal government's planned fiscal and budgetary measures.

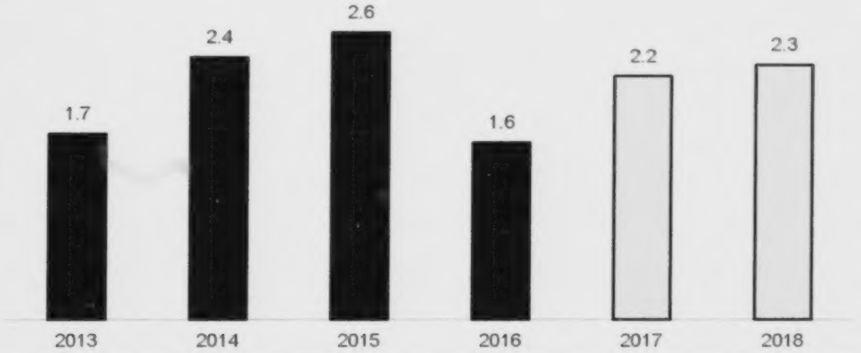
In the same two years, the U.S. economy will benefit from:

- robust growth in consumer spending, spurred by an increase in consumer confidence and faster hourly-wage growth;
- a contribution from business investment, particularly in the energy sector, as the negative impact of low oil prices on this sector dissipates;
- continued expansion of residential investment;
- an anticipated increase in public infrastructure investment.

Furthermore, the U.S. economy will continue to feel the effect of a high U.S. dollar, which will restrain export growth and support imports.

CHART C.27

Economic growth in the United States
(real GDP, percentage change)



Sources: IHS Markit and Ministère des Finances du Québec.

The following table presents the main elements of the U.S. economic outlook.

TABLE C.8

Economic outlook for the United States

(percentage change, unless otherwise indicated)

	2016	2017	2018
Output			
Real gross domestic product	1.6	2.2	2.3
Components of GDP (in real terms)			
Household consumption	2.7	2.6	2.7
Business investment	–0.5	3.8	3.9
Residential investment	4.9	5.0	3.1
Government spending	0.8	0.8	0.6
Exports	0.4	1.8	3.1
Imports	1.1	4.9	4.7
Labour market			
Job creation (millions)	2.5	2.0	1.5
Unemployment rate (%)	4.9	4.6	4.4
Average hourly wage	2.1	2.7	3.1
Other economic indicators			
Housing starts (millions of units)	1.2	1.4	1.5
Consumer price index	1.3	2.4	2.4

Sources: IHS Markit and Ministère des Finances du Québec.

☐ Consumer spending buoyed by a strong labour market performance and wage growth

Following 2.7% growth in 2016, household consumption expenditure is projected to rise by 2.6% in 2017 and 2.7% in 2018, spurred by:

- — high consumer confidence. The confidence index averaged 113.2 points in the first quarter of 2017, the highest level since 2001;
- — continued job creation, despite some moderation due to a gradually shrinking pool of available workers;
- — more sustained growth in compensation with the increased upward pressure on wages. Hourly-wage growth will climb from 2.1% in 2016 to 2.7% in 2017 and 3.1% in 2018.

☐ Renewed growth in business investment

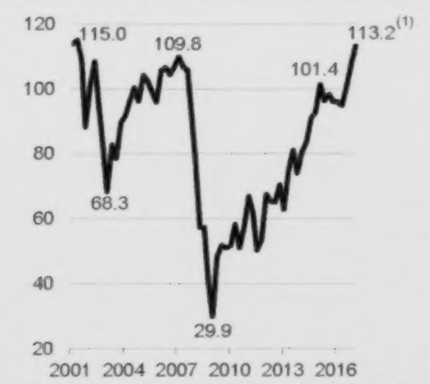
After declining by 0.5% in 2016, business investment is expected to grow by 3.8% in 2017 and 3.9% in 2018. The U.S. recovery in business investment will be driven primarily by:

- — businesses' increased confidence in the demand outlook;
- — rising oil prices since summer 2016, which will prompt several investment projects in the energy sector.

CHART C.28

U.S. Consumer Confidence Index

(1985 = 100, quarterly data)

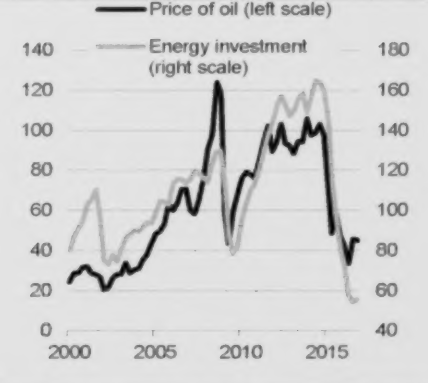


(1) Average for January and February 2017.
Sources: Conference Board, IHS Markit and Ministère des Finances du Québec.

CHART C.29

Price of oil(1) and real energy investment in the United States

(U.S. dollars per barrel and billions of 2009 U.S. dollars)



(1) Price of oil the previous quarter.
Sources: Bloomberg, IHS Markit and Ministère des Finances du Québec.

3. DEVELOPMENTS IN FINANCIAL MARKETS

❑ Markets stimulated by the favourable U.S. growth prospects

In recent months, North American financial markets have been greatly influenced by expectations of higher economic growth and inflation in the United States.

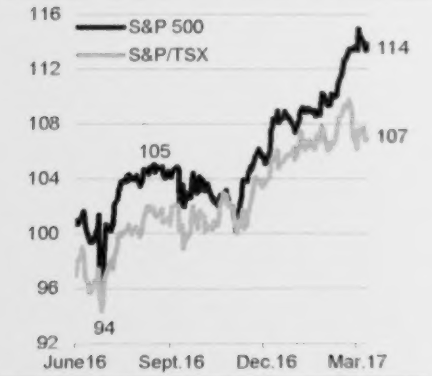
The higher expectations primarily reflect continued economic expansion in the United States and the new U.S. administration's planned fiscal and budgetary policies.

- In the United States, the S&P 500 index rose by 14% between the beginning of November 2016 and the beginning of March 2017, nearly setting a record.
  - In Canada, the S&P/TSX index increased by 7% over the same period.
- Bond yields have also risen sharply since November. The yield on 10-year U.S. and Canadian bonds went up by more than 60 basis points.
- The U.S. dollar appreciated by 4% against the major currencies. The Canadian dollar averaged 75 U.S. cents, mainly buoyed by a slight increase in oil prices.

CHART C.30

U.S. and Canadian stock market indexes

(indexes, November 4, 2016 = 100)

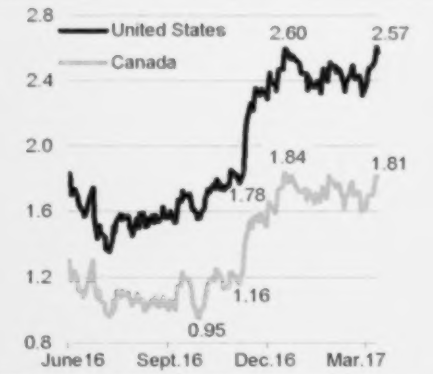


Sources: Bloomberg and Ministère des Finances du Québec.

CHART C.31

Yield on 10-year federal bonds

(per cent)



Source: Bloomberg.

☐ Federal Reserve to continue its monetary tightening

In December 2016, the Federal Reserve (Fed) raised its key interest rate to a target range of 0.50% – 0.75%. In addition, inflationary pressures have increased in the United States in recent months and, in January 2017, the year-over-year headline inflation rate was 2.5%, the highest it has been since 2012.

— Inflation should continue to recover in the coming quarters due to faster hourly-wage growth and the U.S. government's planned stimulus measures.

Against this backdrop, the Ministère des Finances du Québec forecasts three interest rate hikes a year by the Fed in 2017 and 2018. This forecast is the same as the Federal Open Market Committee's median projection in December 2016.

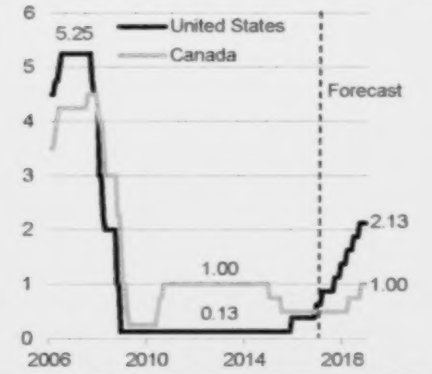
☐ Status quo for the Bank of Canada

The Bank of Canada (BoC) has said several times that, unlike the U.S. economy, Canada's economy continues to display excess capacity.

— Therefore, the BoC is not expected to follow the Fed's lead and raise interest rates before 2018.

CHART C.32

Key interest rates in the United States and Canada
(federal funds target rate and target for the overnight rate, per cent)

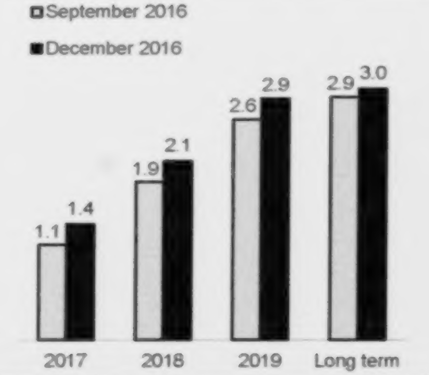


Sources: Bloomberg, Statistics Canada and Ministère des Finances du Québec.

CHART C.33

U.S. Federal Reserve projections for the key interest rate[(1)]

(per cent at year-end)



(1) Median projection of the 17 participants in the Federal Open Market Committee.
Source: U.S. Federal Reserve.

☐ Bond yields will continue rising

The yields on Government of Canada bonds rose sharply over the last few months, in pace with increasing U.S. bond yields.

- U.S. bond yields were buoyed by higher inflation expectations in the United States and higher expectations regarding the pace of interest rate hikes by the U.S. Federal Reserve.

Even if the Bank of Canada maintains the status quo until 2018, Canadian bond yields are expected to rise gradually over the coming quarters.

- The favourable U.S. growth prospects as well as continued interest rate hikes by the Federal Reserve will continue to drive an increase in U.S. and Canadian bond yields.

☐ The Canadian dollar will stay close to current levels

The loonie averaged 75 U.S. cents between the beginning of November 2016 and the beginning of March 2017.

- The Canadian dollar was buoyed by, in particular, rising oil prices since the second half of 2016, which offset the impact of the U.S. dollar's general appreciation.

Over the next two years, the Canadian dollar exchange rate will be influenced mainly by:

- growing divergence between U.S. and Canadian monetary policies, which will put downward pressure on the loonie;
- gradually rising oil prices, which will continue to support the Canadian dollar.

Thus, after averaging 75.6 U.S. cents in 2016, the Canadian dollar should hover around current values. It is expected to average 74.1 U.S. cents in 2017 and 76.4 U.S. cents in 2018.

TABLE C.9

Canadian financial markets
(average annual rate in per cent, unless otherwise indicated)

	2016	2017	2018
Target for the overnight rate	0.5	0.5	0.8
3-month Treasury bills	0.5	0.5	0.8
10-year bonds	1.3	2.0	2.4
Canadian dollar (in U.S. cents)	75.6	74.1	76.4

Sources: Statistics Canada, Bloomberg and Ministère des Finances du Québec.

❑ Gradually rising oil prices

Oil prices rose at the end of 2016, averaging US$56 per barrel at the beginning of 2017.

— The recovery was driven primarily by the agreement reached between the members of the Organization of the Petroleum Exporting Countries (OPEC) and a number of non-OPEC members to reduce output by 1.8 million barrels per day over the first six months of 2017.

The agreement should gradually restore market balance in the coming quarters. However, oil prices will remain very affordable.

— Brent crude oil is expected to average US$58 per barrel in 2017 and US$61 per barrel in 2018. The price of WTI should average US$55 and US$58 per barrel in 2017 and 2018, respectively.

❑ Gradual recovery in metal prices

After falling in recent years, the price of several metals trended upward in 2016. The prices of several metals were nearly back to those seen in early 2015.

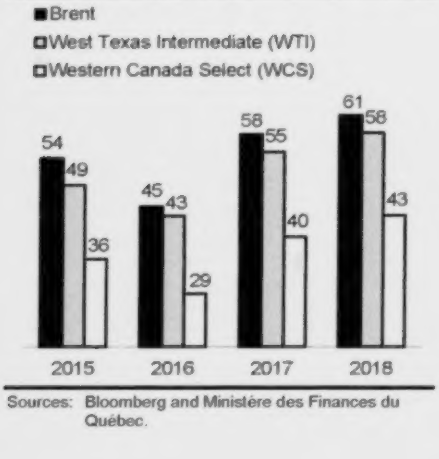
— The price of iron ore, in particular, jumped by 111% since January 2016, while the price of aluminum increased by 25%.

Over the next few years, metal prices will benefit from increased demand for metals and the constraints related to the production of certain types of ore.

CHART C.34

Change in Brent, WTI and WCS oil prices

(U.S. dollars per barrel)

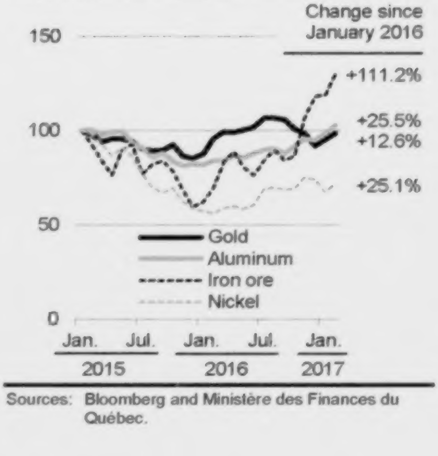


Sources: Bloomberg and Ministère des Finances du Québec.

CHART C.35

Change in certain metal prices

(index, January 2015 = 100, monthly data)



Sources: Bloomberg and Ministère des Finances du Québec.

World price index for metals from Québec (WPIMQ)

The world price index for metals from Québec, which tracks prices for the principal metals mined in Québec along with aluminum, continued its rise begun at the beginning of 2016. From January 2016 to February 2017:

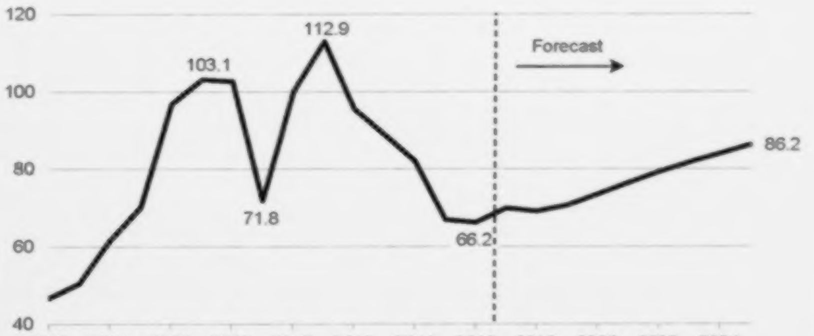
- The **aluminum** subcomponent rose by 25.5% with the higher demand for this metal and gradual depletion of the over-supply:
  - In 2016, global demand for aluminum was up by 865 000 tonnes, whereas supply rose by just 412 000 tonnes.
- The **industrial metals** subcomponent was up 80.0%. The price of iron ore, the principal metal of this subcomponent, increased from US$41.9 a tonne in January 2016 to US$88.5 a tonne in February 2017.
  - During this same period, China's iron ore imports surged as a result of the country's major economic stimulus plan, whereas China's iron ore production shrunk.
- The **precious metals** subcomponent rose by 12.7%, with demand for these metals as a safe-have investment jumping by 70% in 2016 fuelled by low interest rates and the geopolitical uncertainty (e.g. Brexit, U.S. elections, referendum in Italy).

WPIMQ outlook

Overall, metal prices are expected to gradually rise, mirroring the acceleration of global economic growth.

- The WPIMQ is thus projected to increase by 5.6% in 2017, after falling by 1.1% in 2016.
- Despite these increases, the WPIMQ will remain lower than in the 2000s.

World price index for metals from Québec(1)
(index, 2010 = 100, annual data)



(1) The index includes the prices for the principal metals mined in Québec (iron, nickel, zinc, copper, gold and silver) as well as aluminum. Prices used to calculate the index are expressed in U.S. dollars.

Sources: Institut de la statistique du Québec, Statistics Canada, Bloomberg, World Bank and Ministère des Finances du Québec.

4. THE GLOBAL ECONOMY

❑ Global economic expansion driven by the United States and emerging economies

Following 3.1% growth in 2016, the global economy should continue expanding over the next two years. Global economic growth is expected to accelerate slightly, to 3.3% in 2017 and 3.4% in 2018.

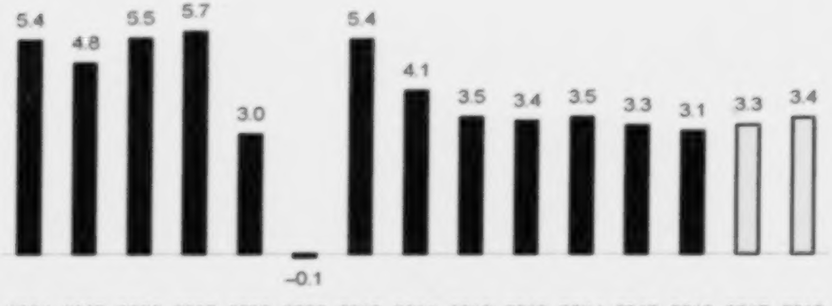
- Advanced economies are expected to gain traction slightly, primarily due to stronger growth in the U.S. economy.
- Emerging economies are also expected to see faster growth, driven by improvement in the economic situation in a number of commodity-producing countries, such as Russia and Brazil.

Despite favourable factors, the global economy remains fragile.

- Growth in the volume of world trade, a key factor in global economic growth since the beginning of the 2000s, has slowed since the 2008-2009 recession.
- In addition, there is a higher level of uncertainty and more risks to growth. A major source of uncertainty stems from the prospects of renegotiation of trade agreements in Europe following Brexit as well as in North America (NAFTA).

CHART C.36

Global economic growth
(real GDP in purchasing power parity, percent change)



Sources: International Monetary Fund, IHS Markit, Eurostat and Ministère des Finances du Québec.

The following table shows the detailed global economic outlook by region and country.

TABLE C.10

Global economic growth outlook

(real GDP, percentage change)

	Weight(1)	2016	2017	2018
World(2)	**100.0**	**3.1**	**3.3**	**3.4**
Advanced economies(2)	**42.4**	**1.7**	**1.8**	**1.8**
Canada	1.4	1.4	1.9	2.0
United States	15.8	1.6	2.2	2.3
Euro area	12.0	1.7	1.3	1.3
– Germany	3.4	1.9	1.2	1.2
– France	2.3	1.2	1.1	1.2
– Italy	1.9	0.9	0.8	0.8
United Kingdom	2.4	1.8	1.0	1.6
Japan	4.3	1.0	0.9	1.0
Emerging and developing economies(2)	**57.6**	**4.1**	**4.3**	**4.6**
China	17.2	6.7	6.3	6.0
India(3)	7.0	7.1	7.3	7.4
Brazil	2.8	–3.6	0.6	2.2
Russia	3.3	–0.2	0.9	1.2

(1) Weight in global GDP in 2015.
(2) Data based on purchasing power parity.
(3) For the fiscal year (April 1 to March 31).
Sources: International Monetary Fund, IHS Markit, Datastream, Eurostat, Statistics Canada and Ministère des Finances du Québec.

Slowdown in world trade

Since the 2008-2009 recession, the international environment has been marked by a significant slowdown in world trade growth.

- The large expansion of world trade driven by, in particular, burgeoning trade agreements and the reduction of tariffs and trade barriers in the 1990s and early 2000s, has slowed in recent years.
- According to the International Monetary Fund, the annual growth rate of world trade in goods and services averaged 2.9% from 2008 to 2015, compared to 6.9% from 1990 to 2007.

From 2008 to 2015, world trade grew at a slower pace than global real GDP (0.9 times the growth rate), whereas it had increased 1.9 times faster than GDP between 1990 and 2007.

Protectionist measures are a drag on world trade

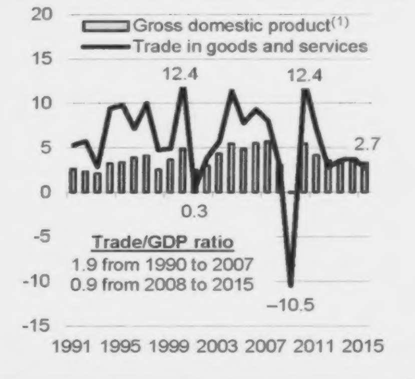
According to the World Trade Organization (WTO), G20 economies have introduced an increasing number of restrictive trade measures since the 2008-2009 recession.

- In October 2016, the WTO counted 1 263 restrictive trade measures implemented since 2008, compared to 1 087 in October 2015 and 673 in October 2012.

The slowdowns in global economic growth and world trade are mutually reinforcing. According to the Organisation for Economic Co-operation and Development, the protectionist measures introduced between 2008 and 2014 reduced world trade by at least 0.2% and global GDP, by at least 0.1% over the same period.

Change in world trade and the global economy

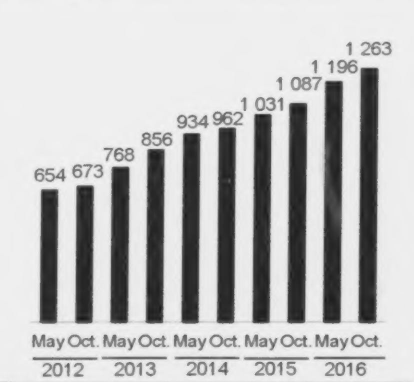
(percentage change, in real terms)



(1) In purchasing power parity.
Sources: International Monetary Fund and Ministère des Finances du Québec.

Protectionist measures in G20 countries[1]

(number of measures adopted since October 2008)



[1] Restrictive trade measures include, in particular, trade disputes that are under WTO investigation, increases in import and export tariffs and measures relating to the content of domestic products.
Source: World Trade Organization.

❑ Continued growth of advanced economies

Advanced economies are expected to continue expanding at a moderate pace, with forecast growth of 1.8% in 2017 and 2018, compared to 1.7% in 2016.

- Relative to 2016, growth should firm up in the United States and continue at a similar pace in Japan.
- On the other hand, the U.K. and euro area economies are projected to slow in 2017 owing to the uncertainty created by renegotiation of trade agreements as a result of Brexit.

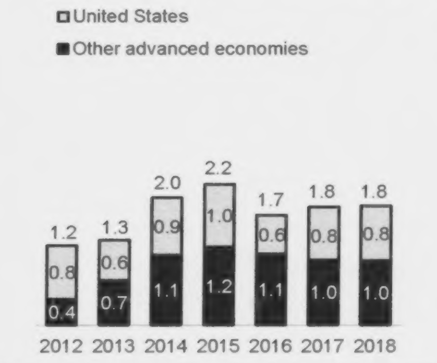
❑ Alleviation of difficulties in commodity-exporting emerging economies

After standing at 4.1% in 2016, growth in emerging economies is projected to accelerate slightly, to 4.3% in 2017 and 4.6% in 2018.

- Commodity-producing emerging economies, such as Brazil and Russia, will benefit from the rise in the price of resources.
- Real GDP growth in China should continue to gradually moderate as the economy continues transitioning toward a growth model centred more on domestic demand. India, whose economic growth has surpassed that of China's, will continue expanding at a steady pace.

CHART C.37

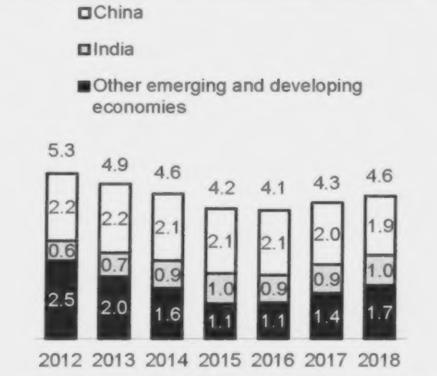
Growth of advanced economies
(growth in per cent and contribution in percentage points)



Note: Figures at the top indicate real GDP growth in purchasing power parity.
Sources: International Monetary Fund, IHS Markit and Ministère des Finances du Québec.

CHART C.38

Growth of emerging economies
(growth in per cent and contribution in percentage points)



Note: Figures at the top indicate real GDP growth in purchasing power parity.
Sources: International Monetary Fund, IHS Markit and Ministère des Finances du Québec.

5. MAIN RISKS THAT MAY INFLUENCE THE FORECAST SCENARIO

The economic and financial forecasts used in the Québec Economic Plan are based on several assumptions, some of which are associated with risks that could affect the global economic and financial scenario and the anticipated developments in the Québec economy, which is open to the world.

- A number of the risks are external. For example, some economic and financial variables, such as growth in the major economies, oil and other commodity prices, and even financial indicators, might trend in different directions than forecast.
- Other risks are internal and could drive some of Québec's economic variables in a different direction than expected.

Generally speaking, the outlook for global economic growth has improved since the October 2016 update of the Québec Economic Plan. However, the level of global uncertainty has risen and there are increased risks to economic growth.

☐ Economic and political directions that are more unpredictable

Over the past year, a number of major events have taken place around the world: Brexit in the United Kingdom, elections in the United States, referendum in Italy, to name a few.

- These events have led a number of countries to adopt new economic and political directions that break with tradition. Their effects on global economic activity are hard to predict.
- The effects may be either positive or negative and could create different winners and losers in the short and medium terms.

■ Growing uncertainty over trade policies

World trade growth has slowed over the last few years. According to the World Bank, the slowdown continued in 2016 with the growing uncertainty over economic and trade policies as some politicians began promoting protectionism.

Furthermore, according to the World Trade Organization, the number of tariff barriers introduced by G20 countries has increased significantly since 2008.

- The restrictive trade measures introduced by some countries could trigger a worldwide surge in protectionism, which would hinder global economic activity.
- With Québec being a small economy open to the world, it could be adversely affected if world trade slowed further.

❑ Significant slowdown in global economic growth

The economic scenario used by the Ministère des Finances du Québec is based on the assumption that global economic growth will gradually strengthen.

However, the global economic cycle has reached a mature phase. In addition, economic activity has nearly reached its potential in a number of countries. Therefore, it is still possible that the global economic cycle could turn around in the coming years.

- Furthermore, to prevent inflation from accelerating too fast, some of the central banks may have to tighten their monetary policy at a faster rate than expected, which could restrain global economic growth.
- The slowdown in economic growth could be gradual, or it could be erratic.

The Québec economy, which has favourable fundamentals but is dependent on trade, would be negatively affected by such developments.

❑ Québec and Canadian exports could be affected by future renegotiation of trade agreements with the United States

▪ Renegotiation of the North American Free Trade Agreement (NAFTA)

The stronger U.S. economy and favourable Canadian dollar will drive growth in both Canadian and Québec exports over the coming years.

However, talk of renegotiating NAFTA has fuelled uncertainty over the future Canadian and Québec export trend.

- In this regard, the new U.S. president was reassuring during his meeting with the Canadian prime minister on February 13, 2017, promising to build new economic bridges between Canada and the United States.

Some of the uncertainties surrounding a possible NAFTA renegotiation could also delay a recovery in non-residential business investment both in Canada and Québec.

▪ Softwood lumber dispute with the United States

In March 2016, Canada and the United States undertook to renegotiate the softwood lumber trade agreement, which had expired.

- The previous deal, the Softwood Lumber Agreement (SLA), had been signed in 2006 following a long dispute over stumpage charges for timber harvested in Canadian Crown or public forests.
- The purpose of the SLA was to provide a framework for Canada-U.S. trade in softwood lumber. The agreement imposed quotas on Canadian companies exporting to the United States as well as lumber tariffs.

A new softwood lumber dispute between Canada and the United States puts production and jobs in Canada's forest industry at risk, particularly in Québec and British Columbia.

Section D

THE GOVERNEMENT'S DETAILED FINANCIAL FRAMEWORK

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INTRODUCTION

This section of the Québec Economic Plan presents the government's detailed financial framework for 2016-2017 to 2018-2019.[1]

The information provided concerns:

- the detailed change in consolidated revenue and expenditure, as well as adjustments made since Budget 2016-2017;
- the forecast for revenue and expenditure by departmental portfolio;
- the change in the financial framework for each of the reporting entity's sectoral components, particularly the General Fund, special funds, specified purpose accounts, non-budget-funded bodies and the health and social services and education networks;
- the government's non-budgetary transactions and net financial requirements.

The five-year financial framework, that is, the government's financial forecasts up to 2021-2022, is presented in Section A of this document.

Change in and new information on the presentation of information

Adjustment of the Budget 2016-2017 forecast

The Budget 2016-2017 forecast has been adjusted to take into account the elimination of the Fund to Finance Health and Social Services Institutions (FINESSS).

- In addition, General Fund spending has been adjusted upward to take into account the expenditures of FINESSS.

Forecast for consolidated revenue and expenditure by portfolio

In the March 2015 Québec Economic Plan, the government indicated that it intended to gradually implement presentation of consolidated budget forecasts by departmental portfolio.

The March 2017 Québec Economic Plan is thus an opportunity for the government to present, for the first time, consolidated budget forecasts by portfolio.

Fiscal year 2017-2018 alone has been published for this initial presentation. However, the information will be added to gradually over the coming years by incorporating, in particular, the change in revenue and expenditure by portfolio.

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[1] Throughout this section, the budgetary data for 2016-2017 and subsequent years are forecasts.

1. CHANGE IN CONSOLIDATED REVENU AND EXPENDITURE

1.1 Change in the budgetary balance

The Québec Economic Plan presents a financial framework that achieves a balanced budget with an anticipated surplus of $250 million for 2016-2017 and keeps the budget balanced thereafter. On the whole, growth of spending will be kept at a pace compatible with that of revenue.

— In 2016-2017, due to the reduction of the tax burden, consolidated revenue grew by 2.3%. Consolidated expenditure, for its part, grew by 3.7%.

— In 2017-2018, consolidated revenue is expected to grow by 3.7% and consolidated expenditure by 3.6%.

The government will continue to make deposits of dedicated revenues in the Generations Fund. Deposits will total $2.0 billion in 2016-2017 and $2.5 billion in 2017-2018.

TABLE D.1

Change in the summary financial framework
(millions of dollars)

	Budget 2016-2017		Budget 2017-2018		
	2016-2017	**Adjustments**	**2016-2017**	**2017-2018**	**2018-2019**
Own-source revenue	82 386	–418	81 968	84 279	87 004
% change	*2.6*		*0.9*	*2.8*	*3.2*
Federal transfers	20 180	318	20 498	22 029	22 221
% change	*5.7*		*8.4*	*7.5*	*0.9*
Consolidated revenue	**102 566**	**–100**	**102 466**	**106 308**	**109 225**
% change	***3.2***		***2.3***	***3.7***	***2.7***
Mission expenditures	–89 720	–667	–90 387	–93 852	–96 533
% change	*2.4*		*4.5*	*3.8*	*2.9*
Debt service	–10 418	731	–9 687	–9 868	–9 758
% change	*3.6*		*–3.2*	*1.9*	*–1.1*
Consolidated expenditure	**–100 138**	**64**	**–100 074**	**–103 720**	**–106 291**
% change	**2.5**		**3.7**	**3.6**	**2.5**
Contingency reserve	–400	300	–100	–100	–100
SURPLUS (DEFICIT)	**2 028**	**264**	**2 292**	**2 488**	**2 834**
BALANCED BUDGET ACT					
Deposits of dedicated revenues in the Generations Fund	–2 028	–14	–2 042	–2 488	–2 834
BUDGETARY BALANCE[1]	**—**	**250**	**250**	**—**	**—**

[1] Budgetary balance within the meaning of the Balanced Budget Act.

❑ Adjustments for 2016-2017 to the financial framework since Budget 2016-2017

Overall, the adjustments to the financial framework since Budget 2016-2017 achieve a budgetary surplus of $250 million.

More precisely, adjustments related to the economic situation improve the budgetary balance by $0.9 billion, while other adjustments lead to a $0.6-billion deterioration in the budgetary balance.

- The adjustments related to the economic situation stem from a $162-million improvement in consolidated revenue and a $716-million reduction in debt service.
- The other adjustments stem mainly from the measures implemented to reduce the tax burden and support different sectors of Québec's economy, as well as the use of $300 million from the contingency reserve.

TABLE D.2

Adjustments for 2016-2017 to the financial framework since Budget 2016-2017

(millions of dollars)

	2016-2017		
	Adjustments related to the economy	**Other adjustments(1)**	**Total**
BUDGETARY BALANCE(2) – BUDGET 2016-2017			—
Consolidated revenue			
Own-source revenue excluding government enterprises			
General Fund	462	–511	–49
Consolidated entities	–447	175	–272
Government enterprises	109	–206	–97
Own-source revenue	**124**	**–542**	**–418**
Federal transfers	38	280	318
Total consolidated revenue	**162**	**–262**	**–100**
Consolidated expenditure			
Mission expenditures			
Program spending	—	–56	–56
Consolidated entities	—	–611	–611
Debt service	716	15	731
Total consolidated expenditure	**716**	**–652**	**64**
Contingency reserve	—	**300**	**300**
Deposits of dedicated revenues in the Generations Fund	—	**–14**	**–14**
TOTAL	**878**	**–628**	**250**
BUDGETARY BALANCE(2) – BUDGET 2017-2018			**250**

(1) Includes the actions of the Québec Economic Plan.
(2) Budgetary balance within the meaning of the *Balanced Budget Act*.

1.2 Change in consolidated revenue

This section presents the updated consolidated revenue of the government and the change in this revenue for 2016-2017 to 2018-2019.

Consolidated revenue will total $102.5 billion in 2016-2017, that is, $82.0 billion in own-source revenue and $20.5 billion in revenue from federal transfers.

— Consolidated revenue is adjusted downward by $100 million compared with the forecast in Budget 2016-2017.

Revenue is expected to grow by 2.3% in 2016-2017, 3.7% in 2017-2018 and 2.7% in 2018-2019.

TABLE D.3

Change in consolidated revenue
(millions of dollars)

	Budget 2016-2017		Budget 2017-2018		
	2016-2017	**Adjustments**	**2016-2017**	**2017-2018**	**2018-2019**
Own-source revenue excluding government enterprises	77 536	–321	77 215	79 799	82 602
% change	*2.9*		*1.3*	*3.3*	*3.5*
Government enterprises	4 850	–97	4 753	4 480	4 402
% change	*–2.2*		*–5.2*	*–5.7*	*–1.7*
Own-source revenue	**82 386**	**–418**	**81 968**	**84 279**	**87 004**
% change	***2.6***		***0.9***	***2.8***	***3.2***
Federal transfers	20 180	318	20 498	22 029	22 221
% change	*5.7*		*8.4*	*7.5*	*0.9*
TOTAL	**102 566**	**–100**	**102 466**	**106 308**	**109 225**
% change	***3.2***		***2.3***	***3.7***	***2.7***

1.2.1 Own-source revenue excluding government enterprises

Own-source revenue excluding government enterprises consists chiefly of tax revenue, which is made up of personal income tax, contributions for health services, corporate taxes, school property tax and consumption taxes. How it changes is closely tied to economic activity in Québec and to changes in the tax systems.

Own-source revenue excluding government enterprises also includes revenue from other sources, that is, duties and permits and miscellaneous revenue, such as interest, the sale of goods and services, as well as fines, forfeitures and recoveries.

Most own-source revenue excluding government enterprises is deposited in the General Fund to finance the government's missions. The remainder of this revenue is paid, in particular, into special funds (for funding specific programs) and the Generations Fund (for reducing the debt), as well as to non-budget-funded bodies and the health and social services and education networks (for funding their activities).

❑ Adjustments for 2016-2017

For fiscal 2016-2017, own-source revenue excluding government enterprises will total $77.2 billion, which represents an increase of 1.3% compared to the revenue observed for fiscal 2015-2016.

Compared with the forecast in Budget 2016-2017, own-source revenue excluding government enterprises is adjusted downward by $321 million, which represents a downward adjustment of 0.4% in forecast revenue.

■ Tax revenue

Revenue from personal income tax is adjusted upward by $47 million for fiscal 2016-2017 compared with the forecast in Budget 2016-2017. This adjustment reflects essentially the recurrence of the higher level of tax payable for 2015 and the upward adjustment in wages and salaries, which are offset, however, by lower-than-expected withholdings at source since the beginning of the fiscal year.

Contributions for health services are adjusted downward by $441 million for 2016-2017. This adjustment reflects the higher-than-anticipated level of wages and salaries in 2016. However, this adjustment is more than offset by the refund of the health contribution paid in 2016 and its complete elimination as of January 1, 2017, representing $494 million.

TABLE D.4

Change in own-source revenue excluding government enterprises
(millions of dollars)

	Budget 2016-2017		Budget 2017-2018		
	2016-2017	**Adjustments**	**2016-2017**	**2017-2018**	**2018-2019**
Tax revenue					
Personal income tax	29 639	47	29 686	30 569	31 868
% change	*4.1*		*3.2*	*3.0*	*4.2*
Contributions for health services	6 463	–441	6 022	6 036	6 143
% change	*–0.5*		*–9.0*	*0.2*	*1.8*
Corporate taxes	6 565	325	6 890	7 227	7 484
% change	*2.5*		*–1.8*	*4.9*	*3.6*
School property tax	2 135	29	2 164	2 257	2 327
% change	*5.0*		*3.5*	*4.3*	*3.1*
Consumption taxes	18 906	282	19 188	19 681	20 077
% change	*2.7*		*3.5*	*2.6*	*2.0*
Other revenue					
Duties and permits	3 763	–435	3 328	3 710	3 822
% change	*–0.5*		*–13.1*	*11.5*	*3.0*
Miscellaneous revenue	10 065	–128	9 937	10 319	10 881
% change	*2.9*		*5.8*	*3.8*	*5.4*
TOTAL	**77 536**	**–321**	**77 215**	**79 799**	**82 602**
% change	***2.9***		***1.3***	***3.3***	***3.5***

Revenue from corporate taxes is adjusted upward by $325 million for fiscal 2016-2017. This adjustment reflects an increase in tax revenues that is in keeping with the favourable results observed in late 2015-2016, offset by lower growth of the net operating surplus of corporations in 2016 compared with the forecast in Budget 2016-2017.

The school property tax is adjusted upward by $29 million in 2016-2017. This adjustment is explained by the collection of additional school property tax related to higher-than-expected property values owing in particular to the construction of new immovables spurred by the vitality of the real estate market. It is also explained by higher-than-anticipated payments in lieu of taxes in respect of immovables owned by the federal and provincial governments.

Revenue from consumption taxes is adjusted upward by $282 million in 2016-2017. This adjustment arises mainly from the Québec sales tax owing to the recurrence of higher-than-expected results in 2015-2016 and tax revenue monitoring, particularly by residential construction, which was more favourable than anticipated in Budget 2016-2017.

■ Other revenue

Revenue from duties and permits is adjusted downward by $435 million in 2016-2017, reflecting essentially the lower-than-expected revenue collected under Québec's cap-and-trade system for greenhouse gas emission allowances.

In addition, miscellaneous revenue is adjusted downward by $128 million, owing in particular to the fact that interest income and revenue from fines, forfeitures and recoveries are lower than anticipated.

☐ Outlook for 2017-2018 and 2018-2019

Own-source revenue excluding government enterprises will grow by 3.3% in 2017-2018 and 3.5% in 2018-2019. This growth reflects essentially the economic activity forecast for those years.

■ Tax revenue

Personal income tax, the government's largest revenue source, will increase by 3.0% in 2017-2018 and 4.2% in 2018-2019, settling at $30.6 billion and $31.9 billion, respectively.

- This change reflects, in particular, the growth of household income, indexation of the personal income tax system and the progressive nature of the tax system.
- It also takes into account the measures announced in this budget, including the general tax reduction as of 2017.
- It also reflects the contribution of pension income to the growth of income subject to tax, particularly income from private pension plans.

Contributions for health services will increase by 0.2% in 2017-2018 and 1.8% in 2018-2019, settling at $6 billion and $6.1 billion, respectively. This change reflects the fact that wages and salaries are expected to grow by 3.4% in 2017 and 3.2% in 2018. It also takes into account the impact of the reduction of the tax burden on individuals and SMBs.

- This change reflects, in particular, the complete elimination of the health contribution as of January 1, 2017 and the reduction of the Health Services Fund contribution rate announced for Québec SMBs in previous budgets.

Revenue from corporate taxes will grow by 4.9% in 2017-2018 and 3.6% in 2018-2019, to $7.2 billion and $7.5 billion, respectively.

- This change reflects essentially the projected growth of the net operating surplus of corporations, established at 5.2% in 2017 and 2018.

The growth of 4.3% and 3.1% in revenue from the school property tax in 2017-2018 and 2018-2019, respectively, can be attributed mainly to the increase in the number of students, the anticipated increase in the cost of certain services funded by the school property tax and, to a lesser extent, the anticipated rise in property values on the territory of certain school boards.

— The lower growth in 2018-2019 is explained chiefly by the more limited increase in the school population compared to that observed in 2017-2018.

Revenue from consumption taxes is expected to increase by 2.6% in 2017-2018 and 2.0% in 2018-2019, to $19.7 billion and $20.1 billion, respectively.

— This growth reflects primarily robust household consumption (excluding food and rent) of 3.7% in 2017 and 3.1% in 2018.

— The growth in revenue from consumption taxes is offset, however, by weak growth in revenue from the specific tax on alcoholic beverages and a slight decrease in the specific tax on tobacco products.

— In addition, the gradual elimination of restrictions on input tax refunds for large businesses, as of January 1, 2018, puts downward pressure on the growth of consumption tax revenue.

■ Other revenue

Revenue from duties and permits will grow by 11.5% in 2017-2018 and 3.0% in 2018-2019. This change is explained primarily by the increase in anticipated revenue under Québec's cap-and-trade system for greenhouse gas emission allowances.

Miscellaneous revenue will rise by 3.8% in 2017-2018 and 5.4% in 2018-2019. This growth stems mainly from the investment income of the Generations Fund and the anticipated revenue of special funds, non-budget-funded bodies and the health and social services and education networks.

1.2.2 Revenue from government enterprises

☐ Adjustments for 2016-2017

For 2016-2017, revenue from government enterprises is adjusted downward by $97 million, to $4.8 billion.

This adjustment can be attributed to the reduced results outlook for Hydro-Québec, due to the taking into account of the adjustment of the accounting impact related to the application of International Financial Reporting Standards (IFRS). This adjustment is offset in part by an increase in the results of Loto-Québec, the Société des alcools du Québec and Investissement Québec.

☐ Outlook for 2017-2018 and 2018-2019

Revenue from government enterprises will stand at $4.5 billion in 2017-2018 and $4.4 billion in 2018-2019.

- In 2017-2018, a decrease of 5.7% in revenue from government enterprises is chiefly attributable to the results of Hydro-Québec, which will decline owing in particular to the taking into account of the adjustment of the accounting impact related to the application of IFRS standards and the impact of the commissioning of electricity generation facilities.
- In 2018-2019, anticipated revenue will fall by 1.7% owing to the decrease in the results of Loto-Québec and other government enterprises.

TABLE D.5

Change in revenue from government enterprises
(millions of dollars)

	Budget 2016-2017		Budget 2017-2018		
	2016-2017	**Adjustments**	**2016-2017**	**2017-2018**	**2018-2019**
Hydro-Québec	2 600	–200	2 400	2 150	2 225
Loto-Québec	1 147	8	1 155	1 142	1 120
Société des alcools du Québec	1 070	8	1 078	1 089	1 100
Other[1]	33	87	120	99	–43
TOTAL	**4 850**	**–97**	**4 753**	**4 480**	**4 402**
% change	***–2.2***		***–5.2***	***–5.7***	***–1.7***

(1) Includes the forecast for other government enterprises, in particular Investissement Québec, and the impact of the Electricity Discount Program for Consumers Billed at Rate L, amounting to $14 million in 2016-2017, $68 million in 2017-2018 and $123 million in 2018-2019.

Hydro-Québec's financial outlook

Doubling Hydro-Québec's revenue by 2030 in order to increase its profits

In its *Strategic Plan 2016-2020*, Hydro-Québec set itself the objective of laying the groundwork to double its revenue by 2030. This state-owned enterprise is seeking to increase its profits and thus contribute more to Québec's economy.

Increasing electricity exports through long-term agreements is one of the growth avenues being developed. Hydro-Québec has a long-standing business relationship with its partners that neighbour Québec and have set ambitious targets for reducing greenhouse gas emissions. The clean energy produced in Québec is part of the solution to the major energy challenges in North America, and Hydro-Québec already exports large amounts of renewable energy.

The acquisition of assets and equity stakes outside Québec provides Hydro-Québec with an opportunity to draw on its world-renowned expertise in the production of hydroelectric power and in high-voltage transmission. Hydro-Québec will set itself apart by being an investor that contributes to the global energy transition, as well as an experienced operator whose innovative technologies will be at the service of its partners. Its investments will be made through a wholly-owned subsidiary, Hydro-Québec International inc. (HQI).

Accounting standards applicable to Hydro-Québec

Since January 1, 2015, Hydro-Québec has determined its financial results using United States generally accepted accounting principles (U.S. GAAP). Since the publication of Public Accounts 2014-2015, Hydro-Québec's results have undergone an accounting adjustment in order to consolidate them with those of the government using International Financial Reporting Standards (IFRS).

For 2016-2017, revenue from Hydro-Québec is forecast at $2 750 million before taking into account the $350-million accounting impact related to the application of IFRS standards.

For 2017-2018 and 2018-2019, the accounting impact will amount to $425 million.

Change in revenue from Hydro-Québec
(millions of dollars)

	Budget 2016-2017		**Budget 2017-2018**		
	2016-2017	**Adjustments**	**2016-2017**	**2017-2018**	**2018-2019**
Net results (U.S. GAAP)[1]	2 750	—	2 750	2 575	2 650
Accounting adjustment to IFRS standards	–150	–200	–350	–425	–425
NET RESULTS IN THE GOVERNMENT'S FINANCIAL FRAMEWORK	**2 600**	**–200**	**2 400**	**2 150**	**2 225**

(1) Other energy businesses in Canada use U.S. GAAP to determine their financial results.

Wine price reductions at the Société des alcools du Québec

The Société des alcools du Québec has improved its profitability in recent years thanks to several efficiency measures that this state-owned corporation has implemented, particularly to reduce its cost structure.

The steps taken by the Société des alcools du Québec in order to be more effective and efficient enabled it to offer, in 2016-2017, three reductions in the price of wine[1] totalling $1.40 per bottle:

- $0.50 (in effect since November 9, 2016);
- $0.40 (in effect since January 11, 2017);
- $0.50 (in effect since February 15, 2017).

The objective of this business strategy is to reduce prices to the same level as those in Ontario for the benefit of Québec consumers, while ensuring growth of the dividends paid to the government.

In that regard, a large share of the price differential with Ontario has already been eliminated and several wines now sell for better prices in Québec.

[1] Namely, 1 600 wines offered to consumers in SAQ stores, SAQ agency stores and at saq.com.

1.2.3 Revenues from federal transfers

❑ Adjustments for 2016-2017

In 2016-2017, revenues from federal transfers are expected to increase by 8.4% to $20.5 billion, that is, $318 million more than forecast in Budget 2016-2017.

This increase of $318 million in 2016-2017 is explained mainly by an upward adjustment of $310 million in other federal transfer programs due to the signing of two new infrastructure agreements under Phase 1 of the federal infrastructure plan. These agreements pertain to the Clean Water and Wastewater Fund, as well as the Post-Secondary Institutions Strategic Investment Fund.

TABLE D.6

Change in federal transfers
(millions of dollars)

	Budget 2016-2017		Budget 2017-2018		
	2016-2017	**Adjustments**	**2016-2017**	**2017-2018**	**2018-2019**
Equalization	10 030	—	10 030	11 081	11 084
% change	*5.3*		*5.3*	*10.5*	*0.0*
Health transfers	5 944	2	5 946	6 110	6 422
% change	*8.3*		*8.4*	*2.8*	*5.1*
Transfers for post-secondary education and other social programs	1 629	6	1 635	1 640	1 676
% change	*5.6*		*6.0*	*0.3*	*2.2*
Other programs	2 577	310	2 887	3 198	3 039
% change	*1.5*		*22.8*	*10.8*	*–5.0*
TOTAL	**20 180**	**318**	**20 498**	**22 029**	**22 221**
% change	***5.7***		***8.4***	***7.5***	***0.9***

❑ Outlook for 2017-2018 and 2018-2019

In 2017-2018, federal transfers are expected to total $22.0 billion, which represents an increase of 7.5%. This growth results in particular from an increase of:

— 10.5% in equalization revenue, explained essentially by the increase of the Canadian equalization envelope, tied to the growth of Canada's nominal GDP, and by the decrease in the share of Québec, among the recipient provinces, of the personal income tax, consumption tax and property tax bases;

— 10.8% in other programs attributable in particular to the Canada Student Loans Program in connection with the enhancements by the federal government that were announced in its 2016 budget and an increase in revenue in respect of the immigrant integration program.

In 2018-2019, federal transfers are expected to reach $22.2 billion, which represents an increase of 0.9%, explained in particular by:

— growth of 5.1% in health transfer revenues that results essentially from an increase in the Canada Health Transfer envelope, related to the growth of Canada's nominal GDP, and from an increase in the targeted funds associated with that envelope;

— a decline of 5.0% in revenue from other programs attributable in particular to the end of the infrastructure programs under Phase 1 of the federal infrastructure plan.

1.3 Change in consolidated expenditure

Consolidated expenditure consists primarily of program spending by government departments, spending by special funds, non-budget-funded bodies and public institutions of the health and social services and education networks, and debt service.

Consolidated expenditure will stand at $100.1 billion in 2016-2017. This represents a downward adjustment of $64 million compared with Budget 2016-2017.

- Program spending is adjusted upward by $56 million compared with Budget 2016-2017.
- The $611-million upward adjustment in other consolidated expenditures is due mainly to:
  - additional spending by the Economic Development Fund;
  - the pace of subsidy payments of the Land Transportation Network Fund;
  - an upward adjustment of specified purpose accounts, as a result of new agreements;
  - increased spending related to certain tax credits, in particular the tax credit for film production services and the work premium.
- In addition, spending on debt service will be $731 million lower.

Consolidated expenditure will stand at $103.7 billion in 2017-2018 and $106.3 billion in 2018-2019, representing growth of 3.6% and 2.5%, respectively.

TABLE D.7

Change in consolidated expenditure
(millions of dollars)

	Budget 2016-2017		Budget 2017-2018		
	2016-2017	Adjustments	2016-2017	2017-2018	2018-2019
Program spending[1]	69 696	56	69 752	72 591	75 016
% change	*2.5*		*3.8*	*4.1*	*3.3*
Other consolidated expenditures[2]	20 024	611	20 635	21 261	21 517
% change	*2.0*		*6.9*	*3.0*	*1.2*
Mission expenditures	**89 720**	**667**	**90 387**	**93 852**	**96 533**
% change	***2.4***		***4.5***	***3.8***	***2.9***
Debt service	10 418	–731	9 687	9 868	9 758
% change	*3.6*		*–3.2*	*1.9*	*–1.1*
TOTAL	**100 138**	**–64**	**100 074**	**103 720**	**106 291**
% change	***2.5***		***3.7***	***3.6***	***2.5***

(1) Program spending includes transfers intended for consolidated entities.
(2) Other consolidated expenditures include, in particular, consolidation adjustments.

1.3.1 Mission expenditures

☐ Program spending

Thanks to the acceleration of economic activity and sound management of public finances, the government is making additional investments in direct services to the public. In 2017-2018, additional investments related to program spending will total $1 348 million:

- — $333 million for the Plan for Success: A Lifelong Process from Early Childhood;
- — $742 million to improve access to quality health services;
- — $245 million to support economic development in all regions;
- — $29 million to improve Quebecers' standard of living.

These additional sums will be funded essentially by raising the program spending objective by $977 million in 2017-2018.

TABLE D.8

Change in program spending
(millions of dollars)

	2016-2017	2017-2018	2018-2019
PROGRAM SPENDING – BUDGET 2016-2017	**69 696**	**71 614**	**73 547**
% change	***2.5***	***2.8***	***2.7***
Additional investments in public services			
Investments under the Plan for Success: A Lifelong Process from Early Childhood	62	333	515
Investments to improve access to quality health services	100	742	1 182
Support for economic development in all regions	257	245	358
Improvement of Quebecers' standard of living	21	29	61
Subtotal	**440**	**1 348**	**2 115**
Reallocation of program spending	–283	–389	–215
Other reallocations	–101	17	–431
Adjustments	**56**	**977**	**1 469**
PROGRAM SPENDING – BUDGET 2017-2018	**69 752**	**72 591**	**75 016**
% change	***3.8***	***4.1***	***3.3***

Note: Totals may not add due to rounding.

❑ Mission expenditures

■ Adjustments for 2016-2017

In 2016-2017, mission expenditures will stand at $90.4 billion, which corresponds to an upward adjustment of $667 million compared with the forecast in Budget 2016-2017. This adjustment is explained in particular by increased spending for the Health and Social Services and Economy and Environment missions.

■ Outlook for 2017-2018 and 2018-2019

In 2017-2018 and 2018-2019, mission expenditures will amount to $93.9 billion and $96.5 billion, respectively.

TABLE D.9

Change in mission expenditures
(millions of dollars)

	Budget 2016-2017		Budget 2017-2018		
	2016-2017	**Adjustments**	**2016-2017**	**2017-2018**	**2018-2019**
Health and Social services	38 372	184	38 556	40 223	41 670
% change	*2.0*		*2.7*	*4.3*	*3.6*
Education and Culture	21 698	9	21 707	22 662	23 433
% change	*3.3*		*3.4*	*4.0*(1)	*3.4*
Economy and Environment	12 276	422	12 698	12 965	13 352
% change	*1.2*		*8.3*	*2.1*	*3.0*
Support for Individuals and Families	9 846	69	9 915	9 935	10 130
% change	*1.3*		*3.2*	*1.0*(1)	*2.0*
Administration and Justice	7 528	–17	7 511	8 067	7 948
% change	*5.4*		*13.1*	*7.4*	*–1.5*
TOTAL	**89 720**	**667**	**90 387**	**93 852**	**96 533**
% change	***2.4***		***4.5***	***3.8***	***2.9***

Note: Certain data from Budget 2016-2017 have been reclassified for comparability with the presentation adopted in the October 2016 Update of the Québec Economic Plan.

(1) To assess growth in 2017-2018 based on comparable spending levels, the percent changes for that year were calculated by excluding from 2016-2017 expenditures, transfers from the provision for francization attributed to the Support for Individuals and Families mission ($75 million) and including them in the 2016-2017 expenditures of the Education and Culture mission.

1.3.2 Debt service

❑ Adjustments for 2016-2017

In 2016-2017, debt service is forecast at $9.7 billion, that is, $7.3 billion for direct debt service and $2.4 billion for interest on the liability related to the retirement plans and employee future benefits of public and parapublic sector employees.

Compared with Budget 2016-2017, debt service is adjusted downward by $731 million in 2016-2017 mainly because of lower-than-expected interest rates and new actuarial valuations of the retirement plans, which lead to a lower level of interest on the retirement plans liability.

❑ Outlook for 2017-2018 and 2018-2019

Debt service is expected to rise by 1.9% in 2017-2018 owing mainly to the anticipated increase in interest rates.

In 2018-2019, debt service is forecast to decrease by 1.1%. This is explained by growth in the income of the Retirement Plans Sinking Fund (RPSF), which is recorded as a deduction from debt service. In 2018-2019, the increase in the income of the RPSF will more than offset the increase in debt service due to the rise in interest rates, which will be lower than in 2017-2018.

TABLE D.10

Change in debt service
(millions of dollars)

	Budget 2016-2017		Budget 2017-2018		
	2016-2017	**Adjustments**	**2016-2017**	**2017-2018**	**2018-2019**
Direct debt service	7 951	–625	7 326	7 865	8 062
Interest on the liability related to the retirement plans and employee future benefits[1]	2 467	–106	2 361	2 003	1 696
TOTAL	**10 418**	**–731**	**9 687**	**9 868**	**9 758**
% change	***3.6***		***–3.2***	***1.9***	***–1.1***

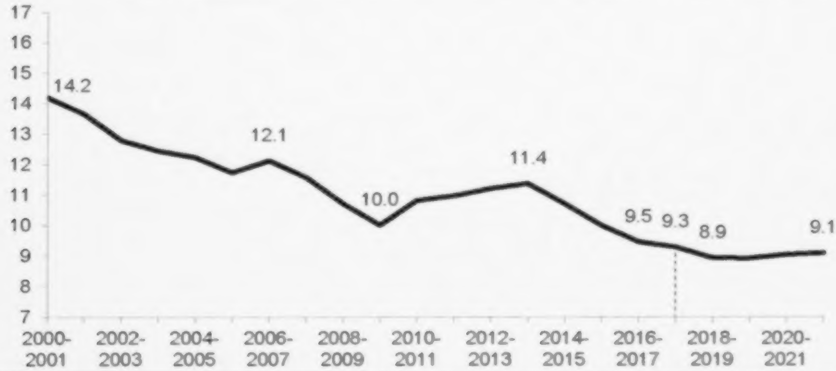
(1) This corresponds to the interest on the obligations relating to the retirement plans and future benefits of public and parapublic sector employees, minus the investment income of the Retirement Plans Sinking Fund and employee future benefit funds.

- **Proportion of revenue devoted to debt service**

The proportion of revenue devoted to debt service has decreased since 2013-2014. It will be 9.3% in 2017-2018.

CHART D.1

Debt service
(percentage of consolidated revenue)



2. CONSOLIDATED REVENUE AND EXPENDITURE BY DEPARTMENTAL PORTFOLIO

To fulfil its missions, the government sets up programs that are directly administered by government departments or bodies.

A departmental portfolio groups all of the entities[2] under the responsibility of a minister, including the department and bodies.

Tables D.11 and D.12 present the revenue and expenditure forecasts for 2017-2018 by portfolio and sector.

Appendix 4 lists the entities making up each portfolio.

2.1 Consolidated revenue by portfolio

The own-source revenue of entities, as well as revenue allocated to them by law, is credited to the portfolio of the minister responsible for those entities.

With total revenue of $91.2 billion in 2017-2018, the Finances portfolio is the one with the highest revenue. The revenue of this portfolio is very high compared to that of the other portfolios because it includes, among other things, the net results of government enterprises, as well as sums collected in order to fund public services of the State that are not allocated to another entity by law, such as:

- income and property taxes collected by Revenu Québec;
- the Québec sales tax;
- federal transfers under the main agreements entered into with the federal government.

The other portfolios with the highest revenue are: Éducation et Enseignement supérieur, Transports, Mobilité durable et Électrification des transports and Santé et Services sociaux. In 2017-2018, their revenue will amount to $4.5 billion, $4.4 billion and $4.2 billion, respectively.

- The revenue of the Éducation et Enseignement supérieur portfolio is derived in particular from the school property tax and tuition fees.
- The revenue of the Transports, Mobilité durable et Électrification des transports portfolio is derived in particular from the specific tax on fuel and fees for motor vehicles.
- The revenue of the Santé et Services sociaux portfolio is drawn mainly from the sale of goods and services of the health and social services network and contributions to the Québec prescription drug insurance plan.

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[2] Entities include departments and budget-funded bodies, non-budget-funded bodies and the health and social services and education networks, as well as special funds and specified purpose accounts.

TABLE D.11

Consolidated revenue by portfolio and sector – 2017-2018

(millions of dollars)

	Consolidated Revenue Fund			
	General Fund	Special funds	Generations Fund	Specified purpose accounts
Affaires municipales et Occupation du territoire	7	102	—	349
Agriculture, Pêcheries et Alimentation	21	—	—	110
National Assembly[2]	1	—	—	—
Conseil du trésor et Administration gouvernementale	1	5	—	—
Conseil exécutif	—	—	—	12
Culture et Communications	6	21	—	3
Développement durable, Environnement et Lutte contre les changements climatiques	—	710	—	3
Économie, Science et Innovation	3	471	—	33
Éducation et Enseignement supérieur	174	95	—	204
Énergie et Ressources naturelles	31	169	—	1
Famille	18	2 382	—	—
Finances	78 192	2 563	2 488	481
Forêts, Faune et Parcs	42	531	—	8
Immigration, Diversité et Inclusion	537	—	—	5
Justice	228	123	—	1
Relations internationales et Francophonie	—	—	—	—
Santé et Services sociaux	38	208	—	195
Sécurité publique	49	597	—	12
Tourisme	—	162	—	—
Transports, Mobilité durable et Électrification des transports	46	4 054	—	—
Travail, Emploi et Solidarité sociale	908	1 318	—	4
Subtotal	**80 302**	**13 511**	**2 488**	**1 421**
Inter-portfolio eliminations[1],[3]				
TOTAL	**80 302**	**13 511**	**2 488**	**1 421**

Note: Totals may not add due to rounding.

(1) Consolidation adjustments resulting mainly from the elimination of reciprocal transactions between entities in different sectors (intra-portfolio eliminations) or different portfolios (inter-portfolio eliminations).

(2) Includes the "Persons Appointed by the National Assembly" portfolio.

(3) Includes the cancellation of inter-portfolio gains for consolidation purposes.

Tax-funded transfers	Non-budget-funded bodies	Bodies in the health and social serivces and education networks	Intra-portfolio eliminations [1]	Consolidated revenue
—	1 148	—	–539	**1 067**
—	543	—	–539	**135**
—	—	—	—	**1**
—	1 581	—	–423	**1 164**
—	4	—	–2	**14**
—	494	—	–407	**117**
—	48	—	–8	**753**
—	246	—	–494	**259**
—	38	16 776	–12 821	**4 466**
—	333	—	–6	**528**
—	—	—	–2 352	**48**
6 536	2 366	—	–1 436	**91 190**
—	143	—	–236	**488**
—	—	—	—	**542**
—	208	—	–192	**368**
—	10	—	–3	**7**
—	17 438	24 807	–38 479	**4 207**
—	39	—	–310	**387**
—	143	—	–150	**155**
—	489	—	–229	**4 360**
—	120	—	–1 202	**1 148**
6 536	**25 391**	**41 583**	**–59 828**	**111 404**
				–5 096
6 536	**25 391**	**41 583**	**–59 828**	**106 308**

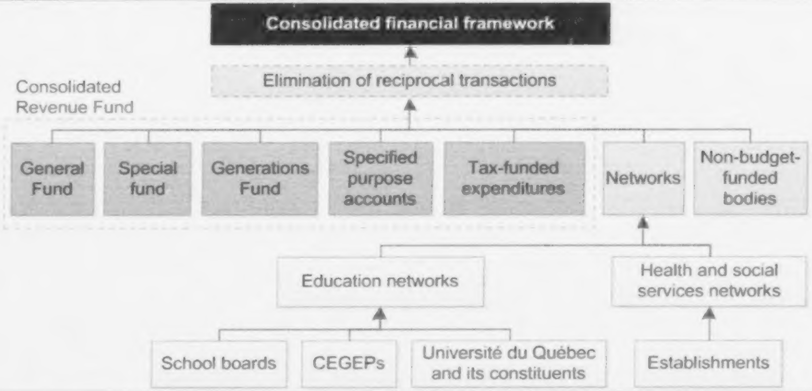
Presentation based on the government's financial organization

The consolidated financial framework has several sectoral components included in the government reporting entity that reflect the financial organization of public and parapublic sector activities. Table D.13 presents the forecast revenue and expenditure of these different components for fiscal 2016-2017 to 2018-2019.

The government's financial organization comprises:

- the General Fund, which includes the revenue, chiefly income tax and other taxes, levied by the government, and the program spending of departments and budget-funded bodies;
- special funds, which ensure a link between the funding of a specific service and the revenue collected for that purpose;
- the Generations Fund, which is a special fund dedicated exclusively to repaying the government's gross debt;
- specified purpose accounts, which make it possible to isolate sums paid to the government by a third party under a contract or an agreement that provides for the sums to be allocated to a specific purpose;
- tax-funded expenditures, which include refundable tax credits granted under the personal and corporate income tax systems, as well as doubtful tax accounts;
- the health and social services and education networks;
- non-budget-funded bodies, which deliver specific services to the population.

Financial organization of the government


Consolidated financial framework
Elimination of reciprocal transactions
Consolidated Revenue Fund
General Fund
Special fund
Generations Fund
Specified purpose accounts
Tax-funded expenditures
Networks
Non-budget-funded bodies
Education networks
Health and social services networks
School boards
CEGEPs
Université du Québec and its constituents
Establishments

2.2 Consolidated expenditure by portfolio

The expenditures of a departmental portfolio include the expenditures of entities under the responsibility of a minister, as well as tax-funded expenditures, the nature of which corresponds to the area covered by the portfolio.

The Santé et Services sociaux and Éducation et Enseignement supérieur portfolios are the ones with the highest level of spending. In 2017-2018, their expenditures will total $41.1 billion and $21.9 billion, respectively.

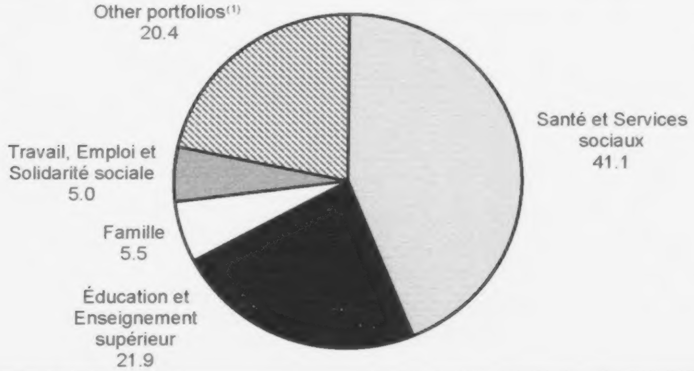
- The expenditures of the Santé et Services sociaux portfolio include, in particular, the activities of the health and social services network and the programs administered by the Régie de l'assurance maladie du Québec.
- The expenditures of the Éducation et Enseignement supérieur portfolio are allocated primarily to the activities of the education networks and to student financial assistance.

The Famille portfolio is the third largest in terms of spending. In 2017-2018, the expenditures of this portfolio will total $5.5 billion. They include, among other things, transfers for subsidized educational childcare services and the refundable tax credit for child assistance.

Lastly, Travail, Emploi et Solidarité sociale is a major portfolio whose expenditures will amount to $5.0 billion in 2017-2018. The expenditures of this portfolio include, in particular, last-resort financial assistance programs and employment assistance measures.

CHART D.2

Expenditure by portfolio
(billions of dollars)



Note: Excludes debt service.
(1) Includes inter-portfolio eliminations.

TABLE D.12

Consolidated expenditure by portfolio and sector – 2017-2018

(millions of dollars)

	Consolidated Revenue Fund			
	General Fund	Special funds	Specified purpose accounts	Tax-funded expenditures
Affaires municipales et Occupation du territoire	1 880	109	349	3
Agriculture, Pêcheries et Alimentation	877	—	110	—
National Assembly⁽²⁾	241	—	—	—
Conseil du trésor et Administration gouvernementale	1 593	4	—	—
Conseil exécutif	425	—	12	—
Culture et Communications	690	24	3	281
Développement durable, Environnement et Lutte contre les changements climatiques	153	971	3	—
Économie, Science et Innovation	916	385	33	1 071
Éducation et Enseignement supérieur	17 882	103	204	132
Énergie et Ressources naturelles	72	147	1	55
Famille	2 546	2 389	—	2 957
Finances	200	1 008	481	929
Forêts, Faune et Parcs	465	542	8	14
Immigration, Diversité et Inclusion	306	—	5	—
Justice	934	126	1	—
Relations internationales et Francophonie	106	—	—	—
Santé et Services sociaux	36 764	212	195	643
Sécurité publique	1 437	596	12	—
Tourisme	148	164	—	2
Transports, Mobilité durable et Électrification des transports	673	2 998	—	4
Travail, Emploi et Solidarité sociale	4 284	1 328	4	445
Inter-portfolio eliminations⁽¹⁾	—	—	—	—
Subtotal	**72 591**	**11 106**	**1 421**	**6 536**
Debt service	7 776	2 254	—	—
TOTAL	**80 367**	**13 360**	**1 421**	**6 536**

Note: Totals may not add due to rounding.

(1) Consolidation adjustments resulting mainly from the elimination of reciprocal transactions between entities in different sectors (intra-portfolio eliminations) or different portfolios (inter-portfolio eliminations).

(2) Includes the "Persons Appointed by the National Assembly" portfolio.

Non-budget-funded bodies	Health and social services and education networks	Intra-portfolio eliminations [1]	Inter-portfolio eliminations [1]	Consolidated expenditure
1 086	—	–539	—	**2 888**
436	—	–539	—	**884**
—	—	—	—	**241**
1 418	—	–423	—	**2 592**
5	—	–2	—	**440**
488	—	–407	—	**1 079**
47	—	–8	—	**1 166**
245	—	–494	—	**2 156**
37	16 374	–12 821	—	**21 911**
334	—	–6	—	**603**
—	—	–2 352	—	**5 540**
2 025	—	–1 425	—	**3 218**
140	—	–236	—	**933**
—	—	—	—	**311**
213	—	–192	—	**1 082**
10	—	–3	—	**113**
17 432	24 324	–38 479	—	**41 091**
39	—	–310	—	**1 774**
132	—	–150	—	**296**
473	—	–239	—	**3 909**
113	—	–1 202	—	**4 972**
—	—	—	–3 346	**–3 346**
24 673	**40 698**	**–59 827**	**–3 346**	93 852
599	885	–11	–1 635	**9 868**
25 272	**41 583**	**–59 838**	**–4 981**	103 720

3. FINANCIAL FRAMEWORK BY SECTOR

The consolidated financial framework has several sectoral components included in the government reporting entity that reflect the financial organization of public and parapublic sector activities. Table D.13 presents the forecast revenue and expenditure of these different components for fiscal 2016-2017 to 2018-2019.

Tables D.14 to D.23 present, for 2016-2017 to 2018-2019, transactions carried out by the General Fund, special funds, specified purpose accounts, non-budget-funded bodies and the health and social services and education networks, as well as tax-funded expenditures.

TABLE D.13

Financial framework for consolidated revenue and expenditure by sector

(millions of dollars)

	2016-2017	2017-2018	2018-2019
Revenue			
General Fund	77 768	80 302	82 542
Special funds	11 861	12 500	12 968
Generations Fund	2 042	2 488	2 834
Specified purpose accounts	1 291	1 421	1 041
Non-budget-funded bodies	20 816	21 193	21 846
Bodies in the health and social services network	24 013	24 807	25 569
Bodies in the education networks	16 134	16 776	17 309
Tax-funded transfers(1)	6 428	6 536	6 561
Consolidation adjustments(2)	–57 887	–59 715	–61 445
Total consolidated revenue	**102 466**	**106 308**	**109 225**
Expenditure			
Mission expenditures			
General Fund (program spending)	–69 752	–72 591	–75 016
Special funds	–10 588	–10 815	–11 267
Specified purpose accounts	–1 291	–1 421	–1 041
Non-budget-funded bodies	–19 816	–20 461	–21 214
Bodies in the health and social services network	–23 567	–24 324	–25 046
Bodies in the education networks	–15 695	–16 374	–16 890
Tax-funded expenditures(1)	–6 428	–6 536	–6 561
Consolidation adjustments(2)	56 750	58 670	60 502
Total mission expenditures	**–90 387**	**–93 852**	**–96 533**
Debt service			
General Fund	–7 602	–7 776	–7 567
Consolidated entities(3)	–2 085	–2 092	–2 191
Total debt service	**–9 687**	**–9 868**	**–9 758**
Total consolidated expenditure	**–100 074**	**–103 720**	**–106 291**
Contingency reserve	–100	–100	–100
SURPLUS (DEFICIT)	**2 292**	**2 488**	**2 834**
BALANCED BUDGET ACT			
Deposits of dedicated revenues in the Generations Fund	–2 042	–2 488	–2 834
BUDGETARY BALANCE(4)	**250**	**—**	**—**

(1) Includes doubtful tax accounts.

(2) Consolidation adjustments stem mainly from the elimination of reciprocal transactions between entities in different sectors.

(3) Includes consolidation adjustments.

(4) Budgetary balance within the meaning of the *Balanced Budget Act*.

Change in consolidated expenditure by sector

The following table shows the change in consolidated expenditure by sector for 2016-2017 to 2018-2019.

Change in consolidated expenditure by sector
(millions of dollars)

	2016-2017	2017-2018	2018-2019
Mission expenditures			
General fund (program spending)	–69 752	–72 591	–75 016
% change	*3.8*	*4.1*	*3.3*
Special funds	–10 588	–10 815	–11 267
% change	*9.4*	*2.1*	*4.2*
Specified purpose accounts	–1 291	–1 421	–1 041
% change	*31.2*	*10.1*	*–26.7*
Non-budget-funded bodies	–19 816	–20 461	–21 214
% change	*5.1*	*3.3*	*3.7*
Bodies in the health and social services network	–23 567	–24 324	–25 046
% change	*0.9*	*3.2*	*3.0*
Bodies in the education networks	–15 695	–16 374	–16 890
% change	*3.6*	*4.3*	*3.2*
Tax-funded expenditures(1)	–6 428	–6 536	–6 561
% change	*–6.1*	*1.7*	*0.4*
Consolidation adjustments(2)	56 750	58 670	60 502
Total mission expenditures	**–90 387**	**–93 852**	**–96 533**
% change	***4.5***	***3.8***	***2.9***
Debt service			
General Fund	–7 602	–7 776	–7 567
% change	*–4.4*	*2.3*	*–2.7*
Consolidated entities(3)	–2 085	–2 092	–2 191
% change	*1.5*	*0.3*	*4.7*
Total debt service	**–9 687**	**–9 868**	**–9 758**
% change	***–3.2***	***1.9***	***–1.1***
TOTAL	**–100 074**	**–103 720**	**–106 291**
% change	***3.7***	***3.6***	***2.5***

(1) Includes doubtful tax accounts.
(2) Consolidation adjustments stem mainly from the elimination of reciprocal transactions between entities in different sectors.
(3) Includes consolidation adjustments.

3.1 General Fund

The General Fund is used to finance nearly three quarters of the government's consolidated expenditure.

The revenue of the General Fund, which consists of own-source revenue and federal transfers, will total $77.8 billion in 2016-2017 and increase by 3.3% in 2017-2018 and 2.8% in 2018-2019, to $80.3 billion and $82.5 billion, respectively.

The expenditures of the General Fund, which include, in particular, program spending, will stand at $77.4 billion in 2016-2017, and grow by 3.9% in 2017-2018 and 2.8% in 2018-2019, to $80.4 billion and $82.6 billion, respectively.

TABLE D.14

Summary of the budgetary transactions of the General Fund
(millions of dollars)

	2016-2017	2017-2018	2018-2019
Revenue			
Income and property taxes	35 118	36 259	37 821
Consumption taxes	17 812	18 275	18 717
Duties and permits	312	301	302
Miscellaneous revenue	1 353	1 364	1 401
Government enterprises	4 589	4 050	3 942
Own-source revenue	**59 184**	**60 249**	**62 183**
% change	***0.9***	***1.8***	***3.2***
Federal transfers	18 584	20 053	20 359
% change	*6.7*	*7.9*	*1.5*
Total revenue	**77 768**	**80 302**	**82 542**
% change	***2.2***	***3.3***	***2.8***
Expenditure			
Program spending	–69 752	–72 591	–75 016
% change	*3.8*	*4.1*	*3.3*
Debt service	–7 602	–7 776	–7 567
% change	*–4.4*	*2.3*	*–2.7*
Total expenditure	**–77 354**	**–80 367**	**–82 583**
% change	***2.9***	***3.9***	***2.8***
Contingency reserve	–100	–100	–100
SURPLUS (DEFICIT)	**314**	**–165**	**–141**

3.2 Special funds

Special funds are entities set up by law to finance certain activities within government departments and bodies.

The activities of special funds may be funded, in particular, through tax revenues, fees or transfers from program spending.

The following table shows the forecasts pertaining to special funds for 2016-2017 to 2018-2019.

TABLE D.15

Summary of the budgetary transactions of special funds[1]
(millions of dollars)

	2016-2017	2017-2018	2018-2019
Revenue			
Income and property taxes	912	1 008	1 045
Consumption taxes	2 445	2 468	2 523
Duties and permits	1 763	2 079	2 049
Miscellaneous revenue	1 950	2 089	2 385
Own-source revenue	**7 070**	**7 644**	**8 002**
Québec government transfers	4 676	4 720	4 856
Federal transfers	115	136	110
Total revenue	**11 861**	**12 500**	**12 968**
% change	***–0.5***	***5.4***	***3.7***
Expenditure			
Mission expenditures	–10 588	–10 815	–11 267
% change	*9.4*	*2.1*	*4.2*
Debt service	–1 481	–1 535	–1 663
Total expenditure	**–12 069**	**–12 350**	**–12 930**
% change	***9.2***	***2.3***	***4.7***
SURPLUS (DEFICIT)	**–208**	**150**	**38**

(1) Excludes the Generations Fund.

The revenue of the special funds will amount to $11.9 billion for 2016-2017, $12.5 billion for 2017-2018 and $13.0 billion for 2018-2019, representing a change of −0.5%, 5.4% and 3.7%, respectively.

- The slight change for 2016-2017 is due mainly to the decrease in revenue from duties and permits under Québec's cap-and-trade system for greenhouse gas emission allowances.

The mission expenditures of special funds will stand at $10.6 billion in 2016-2017, $10.8 billion in 2017-2018 and $11.3 billion in 2018-2019, representing a change of 9.4%, 2.1% and 4.2%, respectively.

The growth in spending by special funds stems mainly from:

- the Land Transportation Network Fund, for funding road network and public transit infrastructure;
- the Green Fund, given the deployment of the 2013-2020 Climate Change Action Plan (2013-2020 CCAP);
- the Northern Plan Fund, following a non-recurring payment in 2016-2017 to the Société du Plan Nord for the purchase of a limited partnership.

TABLE D.16

Mission expenditures of special funds
(millions of dollars)

	2016-2017	2017-2018	2018-2019
Land Transportation Network Fund (FORT)	2 797	2 715	3 005
Green Fund	762	798	794
Northern Plan Fund	211	72	68
Elimination of reciprocal transactions between FORT and the Green Fund	–258	–254	–230
Subtotal	**3 512**	**3 331**	**3 637**
% change	***15.5***	***–5.2***	***9.2***
Other special funds[1]	7 076	7 484	7 630
% change	*7.1*	*5.8*	*2.0*
TOTAL	**10 588**	**10 815**	**11 267**
% change	***9.4***	***2.1***	***4.2***

(1) Includes other eliminations of reciprocal transactions between special funds.

Reconciliation of the special funds' expenditure budget with the government's consolidated financial framework

The Secrétariat du Conseil du trésor tables the Special Funds Budget in the National Assembly in order for the expenditure and investment forecasts of these entities to be approved.

The following table illustrates the reconciliation of the expenditures presented in the Special Funds Budget with those presented in the Québec Economic Plan.

Debt service of the Financing Fund is excluded from Parliamentary authorization since the advances received by the fund are derived from loans made by the government. Expenditures to service the debt of these borrowings are already covered by the General Fund and are repaid by the clientele of the Financing Fund.

- The *Act respecting the Ministère des Finances* (CQLR, chapter M-24.01) provides for special treatment of the Financing Fund because of its role as financial intermediary between the General Fund and its clientele, which consists of public bodies and special funds.

In addition, the Québec Economic Plan presents the consolidated financial framework of the Québec government, including the reporting entity's various sectoral components. The spending forecasts for special funds included in the consolidated financial framework incorporate the elimination of reciprocal transactions between entities in the same sector (i.e. between special funds).

Reconciliation of the special funds' expenditure budget with the government's consolidated financial framework
(millions of dollars)

	2017-2018
Expenditure budget of special funds to be approved by the National Assembly	11 481
Expenditures already approved by the National Assembly	87
Debt service of the Financing Fund	1 517
Subtotal	**13 085**
Elimination of reciprocal transactions between special funds(1)	–735
Expenditure of special funds presented in the Québec Economic Plan	**12 350**

(1) Including $719 million attributable to reciprocal transactions of the Financing Fund with the other special funds.

☐ Generations Fund

Revenues dedicated to the Generations Fund will reach $2.0 billion in 2016-2017, $2.5 billion in 2017-2018 and $2.8 billion in 2018-2019.

Accordingly, as March 31, 2019, the book value of the Generations Fund will be $15.9 billion. The results of and change in the Generations Fund are presented in greater detail in Section C of Additional Information 2017-2018.

TABLE D.17

Summary of the budgetary transactions of the Generations Fund
(millions of dollars)

	2016-2017	2017-2018	2018-2019
Revenue			
Consumption taxes			
Specific tax on alcoholic beverages	500	500	500
Subtotal	**500**	**500**	**500**
Duties and permits			
Water-power royalties	774	779	787
Mining revenues	77	123	241
Subtotal	**851**	**902**	**1 028**
Miscellaneous revenue			
Unclaimed property	55	30	30
Investment income	472	626	816
Subtotal	**527**	**656**	**846**
Government enterprises			
Indexation of the price of heritage electricity	164	215	245
Additional contribution from Hydro-Québec	—	215	215
Subtotal	**164**	**430**	**460**
TOTAL REVENUE	**2 042**	**2 488**	**2 834**

3.3 Specified purpose accounts

A specified purpose account is a financial management mechanism that enables a government department to record separately sums paid into the Consolidated Revenue Fund by a third party under a contract or an agreement that provides for the sums to be allocated to a specific purpose.

The following table shows the forecasts pertaining to specified purpose accounts for 2016-2017 to 2018-2019.

TABLE D.18

Summary of the budgetary transactions of specified purpose accounts
(millions of dollars)

	2016-2017	2017-2018	2018-2019
Revenue			
Miscellaneous revenue	188	216	167
Own-source revenue	**188**	**216**	**167**
Federal transfers	1 103	1 205	874
Total revenue	**1 291**	**1 421**	**1 041**
% change	***31.2***	***10.1***	***–26.7***
Expenditure			
Mission expenditures	–1 291	–1 421	–1 041
Total expenditure	**–1 291**	**–1 421**	**–1 041**
% change	***31.2***	***10.1***	***–26.7***
SURPLUS (DEFICIT)	**—**	**—**	**—**

The revenue and expenditure of specified purpose accounts will amount to $1.3 billion for 2016-2017, $1.4 billion for 2017-2018 and $1.0 billion for 2018-2019.

The change in the revenue and expenditure of specified purpose accounts is explained chiefly by the signing of two new infrastructure agreements in 2016-2017 under Phase 1 of the federal infrastructure plan:

— the Post-Secondary Institutions Strategic Investment Fund;

— the Clean Water and Wastewater Fund, with a two-year term.

3.4 Non-budget-funded bodies

Non-budget-funded bodies were created to provide specific public services.

The following table shows the forecasts pertaining to non-budget-funded bodies for 2016-2017 to 2018-2019.

TABLE D.19

Summary of the budgetary transactions of non-budget-funded bodies
(millions of dollars)

	2016-2017	2017-2018	2018-2019
Revenue			
Consumption taxes	123	44	28
Duties and permits	461	438	443
Miscellaneous revenue	6 075	5 897	5 925
Own-source revenue	**6 659**	**6 379**	**6 396**
Québec government transfers	13 011	13 683	14 213
Federal transfers	1 146	1 131	1 237
Total revenue	**20 816**	**21 193**	**21 846**
% change	***3.3***	***1.8***	***3.1***
Expenditure			
Mission expenditures	–19 816	–20 461	–21 214
% change	*5.1*	*3.3*	*3.7*
Debt service	–705	–599	–586
Total expenditure	**–20 521**	**–21 060**	**–21 800**
% change	***4.3***	***2.6***	***3.5***
SURPLUS (DEFICIT)	**295**	**133**	**46**

The revenue of non-budget-funded bodies will amount to $20.8 billion for 2016-2017, $21.2 billion for 2017-2018 and $21.8 billion for 2018-2019, representing an increase of 3.3%, 1.8% and 3.1%, respectively.

The mission expenditures of non-budget-funded bodies will stand at $19.8 billion in 2016-2017, $20.5 billion in 2017-2018 and $21.2 billion in 2018-2019, representing growth of 5.1%, 3.3% and 3.7%, respectively.

The growth in spending by non-budget-funded bodies stems mainly from:

- the primary missions of the Régie de l'assurance maladie du Québec and the Prescription Drug Insurance Fund;
- the Société de financement des infrastructures locales du Québec, owing to the increase in projects of municipal bodies funded through the 2014-2019 gas tax and Québec contribution program;
- La Financière agricole du Québec, due to the eligibility of new products for its insurance programs.

TABLE D.20

Mission expenditures of non-budget-funded bodies
(millions of dollars)

	2016-2017	2017-2018	2018-2019
Régie de l'assurance maladie du Québec (RAMQ)	12 131	12 847	13 502
Prescription Drug Insurance Fund (PDIF)	3 678	3 910	4 319
La Financière agricole du Québec	436	436	491
Société de financement des infrastructures locales du Québec	714	683	736
Elimination of reciprocal transactions between RAMQ and the PDIF	–3 669	–3 901	–4 310
Subtotal	**13 290**	**13 975**	**14 738**
% change	***4.0***	***5.2***	***5.5***
Other non-budget-funded bodies[1]	6 526	6 486	6 476
% change	*6.8*	*–0.6*	*–0.2*
TOTAL	**19 816**	**20 461**	**21 214**
% change	***5.1***	***3.3***	***3.7***

(1) Includes other eliminations of reciprocal transactions between non-budget-funded bodies.

Reconciliation of the expenditure budget of non-budget-funded bodies with the government's consolidated financial framework

The Secrétariat du Conseil du trésor tables the revenue and expenditure forecasts for non-budget-funded bodies in the National Assembly.

The following table illustrates the reconciliation of the expenditures presented in the budget of non-budget-funded bodies with those presented in the Québec Economic Plan.

The Québec Economic Plan presents the consolidated financial framework of the Québec government, including the reporting entity's various sectoral components. The forecasts for non-budget-funded bodies included in the consolidated financial framework incorporate:

- the elimination of reciprocal transactions between entities in the same sector;
- harmonization entries intended to harmonize the entities' forecasts with the government's accounting policies.

Reconciliation of the expenditure budget of non-budget-funded bodies with the government's consolidated financial framework
(millions of dollars)

	2017-2018
Expenditure of non-budget-funded bodies to be tabled in the National Assembly	25 264
Elimination of reciprocal transactions between non-budget-funded bodies and harmonizations(1)	–4 204
Expenditure of non-budget-funded bodies presented in the Québec Economic Plan	**21 060**

(1) Including $3.9 billion attributable to reciprocal transactions of the Régie de l'assurance maladie du Québec with the Prescription Drug Insurance Fund.

3.5 Health and social services and education networks

❑ Health and social services network

Since April 1, 2015, the health and social services network has been made up of 35 public bodies.

The following table shows the forecasts pertaining to the health and social services network for 2016-2017 to 2018-2019.

TABLE D.21

Summary of the budgetary transactions of bodies in the health and social services network
(millions of dollars)

	2016-2017	2017-2018	2018-2019
Revenue			
Miscellaneous revenue	2 294	2 429	2 567
Own-source revenue	**2 294**	**2 429**	**2 567**
Québec government transfers	21 586	22 244	22 866
Federal transfers	133	134	136
Total revenue	**24 013**	**24 807**	**25 569**
% change	***1.5***	***3.3***	***3.1***
Expenditure			
Mission expenditures	–23 567	–24 324	–25 046
% change	*0.9*	*3.2*	*3.0*
Debt service	–446	–483	–523
Total expenditure	**–24 013**	**–24 807**	**–25 569**
% change	***1.0***	***3.3***	***3.1***
SURPLUS (DEFICIT)	**—**	**—**	**—**

The revenue of the health and social services network will amount to $24.0 billion for 2016-2017, $24.8 billion for 2017-2018 and $25.6 billion for 2018-2019, representing a change of 1.5%, 3.3% and 3.1%, respectively.

The mission expenditures of the health and social services network will stand at $23.6 billion in 2016-2017, $24.3 billion in 2017-2018 and $25.0 billion in 2018-2019, representing a change of 0.9%, 3.2% and 3.0%, respectively.

☐ Education networks

The education networks are made up of school boards, the Comité de gestion de la taxe scolaire de l'île de Montréal, CEGEPS and the Université du Québec and its constituents.

The following table shows the forecasts pertaining to the education networks for 2016-2017 to 2018-2019.

TABLE D.22

Summary of the budgetary transactions of bodies in the education networks
(millions of dollars)

	2016-2017	2017-2018	2018-2019
Revenue			
Income and property taxes	2 164	2 257	2 327
Miscellaneous revenue	1 698	1 734	1 770
Own-source revenue	**3 862**	**3 991**	**4 097**
Québec government transfers	12 116	12 628	13 052
Federal transfers	156	157	160
Total revenue	**16 134**	**16 776**	**17 309**
% change	***2.7***	***4.0***	***3.2***
Expenditure			
Mission expenditures	–15 695	–16 374	–16 890
% change	*3.6*	*4.3*	*3.2*
Debt service	–404	–402	–419
Total expenditure	**–16 099**	**–16 776**	**–17 309**
% change	***3.6***	***4.2***	***3.2***
SURPLUS (DEFICIT)	**35**	**—**	**—**

The revenue of the education networks will amount to $16.1 billion for 2016-2017, $16.8 billion for 2017-2018 and $17.3 billion for 2018-2019, representing a change of 2.7%, 4.0% and 3.2%, respectively.

The mission expenditures of the education networks will stand at $15.7 billion in 2016-2017, $16.4 billion in 2017-2018 and $16.9 billion in 2018-2019, representing a change of 3.6%, 4.3% and 3.2%, respectively.

3.6 Tax-funded expenditures

Refundable tax credits for individuals and corporations, which are similar to taxation-related transfer expenditures, are recorded in spending rather than as reductions in revenue. Expenditures related to doubtful tax accounts are added to these refundable tax credits.

Tax-funded expenditures will decrease by 6.1% in 2016-2017 in relation to the previous year and increase by 1.7% in 2017-2018 and 0.4% in 2018-2019. This change is explained in particular by certain measures announced in:

- Budget 2014-2015, including the revision of the rates of tax credits granted to corporations;
- the December 2014 *Update on Québec's Economic and Financial Situation*, including the introduction of a minimum eligible expenditure threshold for R&D tax credits;
- Budget 2015-2016, including the measures intended to increase the effectiveness of the sectoral tax assistance granted to corporations and the introduction of the tax shield for individuals;
- Budget 2016-2017, including the improvements to work premiums for households without children and to the tax shield;
- Budget 2017-2018, including the refundable tax credit for the upgrading of residential waste water treatment systems.

TABLE D.23

Summary of budgetary transactions relating to tax-funded expenditures
(millions of dollars)

	2016-2017	2017-2018	2018-2019
Revenue			
Personal income tax	4 439	4 546	4 608
Corporate taxes	1 717	1 706	1 682
Consumption taxes	272	284	271
Total revenue	**6 428**	**6 536**	**6 561**
% change	***–6.1***	***1.7***	***0.4***
Expenditure	**–6 428**	**–6 536**	**–6 561**
% change	***–6.1***	***1.7***	***0.4***
SURPLUS (DEFICIT)	**—**	**—**	**—**

4. NET FINANCIAL REQUIREMENTS

Surpluses or net financial requirements represent the difference between the government's cash inflow and disbursements. These surpluses or net financial requirements take into account changes in the budgetary balance on an accrual basis, resources or requirements arising from the acquisition or disposal of fixed assets, investments, loans and advances and from other activities such as paying accounts payable and collecting accounts receivable.

The government will post a financial surplus of $83 million for fiscal 2016-2017, a financial requirement of $553 million for fiscal 2017-2018 and a financial surplus of $811 million for fiscal 2018-2019.

TABLE D.24

Net financial requirements(1)
(millions of dollars)

	2016-2017	2017-2018	2018-2019
SURPLUS (DEFICIT)	**2 292**	**2 488**	**2 834**
Non-budgetary transactions			
Investments, loans and advances	–2 970	–2 047	–1 989
Capital investments	–2 190	–3 679	–3 220
Retirement plans and employee future benefits	3 083	3 165	3 105
Other accounts	–132	–480	81
Total non-budgetary transactions	**–2 209**	**–3 041**	**–2 023**
NET FINANCIAL REQUIREMENTS	**83**	**–553**	**811**

(1) A negative entry indicates a financial requirement and a positive entry, a source of financing.

❑ Investments, loans and advances

Investments, loans and advances include mainly investments made by the government in its enterprises and loans and advances granted to entities not included in the government reporting entity.

Net financial requirements for investments, loans and advances are estimated at $3 billion for 2016-2017 and $2 billion per year for 2017-2018 and 2018-2019. Investments, loans and advances include the government's investments in major economic projects, such as Bombardier's C Series in 2016-2017 and the Réseau électrique métropolitain de Montréal (REM) in 2017-2018 and 2018-2019.

Capital investments

In 2016-2017, forecast net financial requirements associated with net capital investments amount to $2.2 billion.

Net financial requirements attributable to net investments for fiscal 2017-2018 and 2018-2019 will stand at $3.7 billion and $3.2 billion respectively.

TABLE D.25

Consolidated net capital investments[1]
(millions of dollars)

	2016-2017	2017-2018	2018-2019
Investments	–6 287	–7 643	–7 343
Depreciation	3 806	3 866	4 020
Net investments	**–2 481**	**–3 777**	**–3 323**
Less: PPP investments[2]	291	98	103
NET CAPITAL INVESMENTS	**–2 190**	**–3 679**	**–3 220**

(1) A negative entry indicates a financial requirement and a positive entry, a source of financing.

(2) Investments made under public-private partnership (PPP) agreements correspond to new commitments that are taken into account in the government's gross debt. In accordance with the government's accounting policies, PPP investments are recognized in the government's assets as well as in its debt.

Retirement plans and employee future benefits

Forecast growth in the non-budgetary balance for the retirement plans and employee future benefits stands at $3.1 billion for 2016-2017, $3.2 billion for 2017-2018 and $3.1 billion for 2018-2019.

Other accounts

Net financial requirements for other accounts consist of a series of changes in assets and liabilities such as accounts receivable and accounts payable.

The change in the government's other accounts raises net financial requirements by $132 million for 2016-2017 and $480 million for 2017-2018. In 2018-2019, other accounts will generate a financial surplus of $81 million.

☐ Net financial requirements by sector

The following table shows net financial requirements by sector.

TABLE D.26

Net financial requirements by sector[1]

(millions of dollars)

	2016-2017	2017-2018	2018-2019
General Fund	2 672	957	2 505
Consolidated entities[2]	–4 631	–3 998	–4 528
Generations Fund	2 042	2 488	2 834
NET FINANCIAL REQUIREMENTS	**83**	**–553**	**811**

(1) A negative entry indicates a financial requirement and a positive entry, a source of financing.
(2) Excludes the Generations Fund.

APPENDIX 1: SENSITIVITY ANALYSIS OF ECONOMIC VARIABLES

The financial framework's forecasts incorporate certain components of uncertainty that do not depend on the government directly, but which may cause actual results to differ from the forecasts.

☐ Sensitivity of Québec's GDP to external variables

Given that the Québec economy is characterized by considerable openness to trade, Québec's economic variables are influenced by several external factors.

— The most important of these factors are related to the economic activity of Québec's main trading partners, the United States and the Canadian provinces.

■ Impact of external variables on the Québec economy

The results of an analysis conducted with a structural vector autoregression (VAR)[3] model on the basis of historical data show that a change of 1% in U.S. real GDP entails on average a change of 0.5% in Québec's real GDP.

— The maximum effect is felt two quarters later.

Moreover, the same model makes it possible to conclude that a change of 1% in Ontario's real GDP gives rise on average to a change of 0.4% in Québec's real GDP.

— The maximum effect is captured two quarters later as well.

Ontario is the Canadian province with which Québec has the most commercial ties, in addition to having a similar economic structure. In 2013, exports to Ontario accounted for roughly 60% of Québec's interprovincial exports.

TABLE D.27

Impact of external shocks on the growth rate of Québec's real GDP

External shocks of 1%	Maturity(1) (quarters)	Impact on Québec's real GDP (percentage points)
U.S. real GDP	2	0.5
Ontario real GDP	2	0.4

(1) Maturity corresponds to the number of quarters needed to record the greatest impact on Québec's real GDP, presented in the right-hand column.

Sources: Institut de la statistique du Québec, Ontario Ministry of Finance, IHS Global Insight, Statistics Canada, Bloomberg and Ministère des Finances du Québec.

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[3] Vector autoregression. This econometric technique is used to estimate, on the basis of numerous observations, the extent to which fluctuations in one economic variable affect another economic variable (impulse response function). The estimates were made using quarterly data from Statistics Canada's 1993 System of National Accounts (SNA 1993), for the 1981-2010 period.

☐ Sensitivity of own-source revenue to economic fluctuations

In general, the nominal GDP forecast is a very good indicator of growth in own-source revenue given the direct link between tax bases and nominal GDP.

- According to the overall sensitivity analysis, a change of 1 percentage point in nominal GDP has an impact of about $650 million on the government's own-source revenue.

This sensitivity analysis is based on a revision of each tax base in proportion to the revision of nominal GDP.

- In reality, a change in economic outlook can have a greater impact on some economic variables, as well as greater repercussions on certain tax bases and smaller ones on others.

Sensitivity analyses set an average historical relationship between the change in own-source revenue and growth in nominal GDP. Accordingly, they may prove inaccurate for a given year depending on the economic situation and yet not lose their validity.

- Indeed, for a given year, economic fluctuations may have various impacts on revenue because of changes in the behaviour of economic agents.
- In these situations, the change in own-source revenue can be greater or lower than the change in nominal GDP.

TABLE D.28

Sensitivity of own-source revenue to major economic variables

Variable	Growth forecasts for 2017	Impacts for fiscal 2017-2018
Nominal GDP	3.3%	A variation of 1 percentage point changes own-source revenue by roughly $650 million.
– Wages and salaries	3.4%	A variation of 1 percentage point changes personal income tax revenue by about $280 million.
– Employment insurance	0.8%	A variation of 1 percentage point changes personal income tax revenue by roughly $5 million.
– Pension income	5.0%	A variation of 1 percentage point changes personal income tax revenue by around $40 million.
– Net operating surplus of corporations	5.2%	A variation of 1 percentage point changes corporate income tax revenue by roughly $30 million.
– Household consumption	3.5%	A variation of 1 percentage point changes QST revenue by about $170 million.
– Residential investments	1.3%	A variation of 1 percentage point changes QST revenue by nearly $20 million.

☐ Sensitivity of program spending

The financial framework's forecasts take into account:

— budgetary choices, which stem from the prioritization of certain sectors over others in the allocation of spending;

— economic variables, which are tied to price factors (inflation) and demographic factors (changes in population).

The following tables show the estimated sensitivity of program spending to certain changes at the budgetary level as well as in economic factors.

In that regard, it should be noted that such estimates constitute indications and that impacts may vary depending on the nature and interaction of risk factors.

■ Budgetary choices

Program spending may vary according to certain budgetary choices made by the government in allocating its available budgetary resources.

Accordingly, a variation of 1% in:

— program spending for the Santé et Services sociaux portfolio would lead to a variation of about $370 million in such spending;

— program spending for the Éducation et Enseignement supérieur portfolio would lead to a variation of roughly $180 million in such spending;

— program spending for the Famille portfolio would lead to a variation of approximately $25 million in such spending.

TABLE D.29

Sensitivity of program spending to a variation of 1% in each portfolio

Variables	Impact for fiscal 2017-2018
Santé et Services sociaux	$370 million (1%)
Éducation et Enseignement supérieur	$180 million (1%)
Famille	$25 million (1%)
Other portfolios	$155 million (1%)

Economic variables

The analysis also made it possible to estimate the sensitivity of program spending to certain important external variables.

Prices

Public spending is influenced by the price of services funded by the government. The change in the price of such services is closely tied to the change in the general level of prices in the economy, that is, inflation.

Accordingly, a uniform variation in prices could lead to variations in program spending.

The results show that a variation of 1% in prices would lead to a variation of $260 million, or 0.4%, in total spending.

— In particular, spending for the Santé et Services sociaux portfolio would vary by 0.3% and that for the Éducation et Enseignement supérieur portfolio by 0.1%; spending related to the Famille and the Travail, Emploi et Solidarité sociale portfolios would each vary by 0.9%.

The impact of a change in inflation on spending is limited, because remuneration expenditures vary mainly according to parameters provided for in collective agreements.

Population

Spending is also affected by population changes and, for specific services, by changes in the population of specific age groups.

For example, a change of 1% in the total population would change total spending by $520 million, or 0.7%.

— Spending would vary by 0.7% for the Santé et Services sociaux portfolio and 0.8% for the Éducation et Enseignement supérieur portfolio.

A change of 1% in the number of people aged 0-4, that is, the population that affects, in particular, the demand for childcare services, would have a $40-million impact on total spending.

— The Famille portfolio would be the most affected by a shock of this type. Its spending would vary by 1.0%.

A change of 1% in the number of people aged 65 and over would lead to a variation of $155 million in total spending.

— Spending for the Santé et Services sociaux portfolio would be the most affected by a change in this age group; it would vary by 0.4%.

TABLE D.30

Sensitivity of program spending to a variation of 1% in each economic variable

		Impact for fiscal 2017-2018	
Variables		$million	%
Economic variable			
Inflation	**Total spending**	**260**	**0.4**
	By portfolio:		
	– Santé et Services sociaux		0.3
	– Éducation et Enseignement supérieur		0.1
	– Famille		0.9
	– Travail, Emploi et Solidarité sociale		0.9
	– Other		0.6
Demographic variables			
Total population	**Total spending**	**520**	**0.7**
	By portfolio:		
	– Santé et Services sociaux		0.7
	– Éducation et Enseignement supérieur		0.8
	– Famille		1.0
	– Other		0.6
0-4 years	**Total spending**	**40**	**0.1**
	By portfolio:		
	– Famille		1.0
5-16 years	**Total spending**	**115**	**0.2**
	By portfolio:		
	– Éducation et Enseignement supérieur		0.5
17-24 years	**Total spending**	**70**	**0.1**
	By portfolio:		
	– Éducation et Enseignement supérieur		0.3
65 years and over	**Total spending**	**155**	**0.2**
	By portfolio:		
	– Santé et Services sociaux		0.4

Sensitivity of debt service to a change in interest rates and exchange rates

A greater-than-anticipated rise in interest rates of 1 percentage point over a full year would increase the interest expenditure by roughly $250 million.

A change in the value of the Canadian dollar compared with other currencies would have no impact on debt service because the government's debt has no foreign currency exposure.

APPENDIX 2: ALLOCATION OF REVENUE FROM CONSUMPTION TAXES

❑ Consumption taxes

Consumption taxes include sales taxes and specific taxes. Sales taxes include, in particular, the Québec sales tax (QST) and the tax on insurance premiums, while specific taxes are applied to fuel, tobacco products and alcoholic beverages.

For 2016-2017, revenue from consumption taxes will amount to $19.2 billion, that is, $15.2 billion from sales taxes and $4.0 billion from specific taxes.

TABLE D.31

Revenue from consumption taxes
(millions of dollars)

	2016-2017	2017-2018	2018-2019
Sales taxes(1)	**15 150**	**15 757**	**16 137**
Specific taxes			
Fuel	2 336	2 286	2 322
Tobacco products	1 072	1 003	978
Alcoholic beverages(2)	630	635	640
Subtotal	**4 038**	**3 924**	**3 940**
TOTAL	**19 188**	**19 681**	**20 077**

(1) Includes revenue from pari mutuel.
(2) Includes an annual amount of $500 million dedicated to the Generations Fund.

Sales taxes

Within the meaning of the *Act respecting the Québec sales tax*,[4] sales taxes include the QST as well as the tax on insurance premiums, the tax on lodging and the specific duty on new tires. For 2016-2017, sales tax revenue will reach $15.2 billion. More specifically:

— the revenue of the general fund derived from the QST and the tax on insurance premiums will amount to $16.7 billion;

— revenue of $86 million derived mainly from the tax on lodging, is allocated to the Tourism Partnership Fund to promote and develop tourism;

— revenue of nearly $25 million, derived in particular from the specific duty on new tires ($3 per tire), is dedicated to the Société québécoise de récupération et de recyclage (RECYC-QUÉBEC) to finance the recycling of used tires.

Consolidated revenue also takes into account the cost of the solidarity tax credit and consolidation adjustments, such as the elimination of reciprocal transactions between entities in different sectors.

TABLE D.32

Allocation of sales tax revenue
(millions of dollars)

	2016-2017	2017-2018	2018-2019
General Fund[(1)]	16 732	17 241	17 702
Tourism Partnership Fund	86	95	98
RECYC-QUÉBEC	25	28	28
Solidarity tax credit and other[(2)]	–1 693	–1 607	–1 691
TOTAL	**15 150**	**15 757**	**16 137**

(1) Includes revenue from pari mutuel.
(2) Includes, in particular, the solidarity tax credit and the partial rebate of the QST paid on property and services acquired by institutions in the health and social services and education networks.

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[4] CQLR, chapter T-0.1.

Specific taxes

Specific tax on fuel

For 2016-2017, the government's own-source revenue from the specific tax on fuel will total $2.3 billion. This amount includes:

- revenue from the specific tax of 19.2 cents per litre and 20.2 cents per litre on gasoline and diesel fuel (non-coloured fuel oil), respectively, paid into the Land Transportation Network Fund (FORT) to finance the road network and public transit infrastructure ($2.2 billion):
  - revenue from FORT also includes revenue from the specific tax of 1 cent per litre of gasoline sold within the territory of the Gaspésie–Îles-de-la-Madeleine administrative region to improve public transportation services in this region ($1.1 million);
- revenue from the specific tax of 3 cents per litre on kerosene fuel (domestic), aviation fuel and fuel oil for locomotives, paid into the General Fund ($15 million);
- revenue from the specific tax of 3 cents per litre of gasoline sold within the territory of the Agence métropolitaine de transport (AMT), paid to the AMT, for public transportation services in the metropolitan Montréal region ($98 million).

The activities of the AMT will be transferred on June 1, 2017 to the Autorité régionale de transport métropolitain (ARTM), a body that is not included in the government reporting entity.

TABLE D.33

Allocation of revenue from the specific taxes on fuel
(millions of dollars)

	2016-2017	2017-2018	2018-2019
FORT	2 223	2 255	2 306
General Fund	15	15	16
AMT	98	16	—
TOTAL	**2 336**	**2 286**	**2 322**

▪ Specific tax on tobacco products

For 2016-2017, tax revenue from the sale of tobacco products amounts to $1.1 billion, including $935 million paid into the General Fund and $137 million allocated to various special funds.

TABLE D.34

Allocation of revenue from the specific tax on tobacco products
(millions of dollars)

	2016-2017	2017-2018	2018-2019
General Fund	**935**	**884**	**859**
Special funds			
Sports and Physical Activity Development Fund[1]	66	68	68
Québec Cultural Heritage Fund	16	16	16
Fund for the Promotion of a Healthy Lifestyle[2]	20	—	—
Early Childhood Development Fund	15	15	15
Caregiver Support Fund	15	15	15
Fonds Avenir Mécénat Culture	5	5	5
Subtotal	**137**	**119**	**119**
TOTAL	**1 072**	**1 003**	**978**

(1) This fund includes an allocation of $6 million in 2016-2017 subject to the passage, by March 31, 2017 at the latest, of the *Bill concerning primarily the implementation of certain provisions of the Budget Speech of 17 March 2016*.
(2) This fund is being eliminated as of 2017-2018. The revenues will be allocated to the General Fund and the expenditures will be covered by the Ministère de la Santé et des Services sociaux.

▪ Specific tax on alcoholic beverages

Tax revenue from the sale of alcoholic beverages totals $630 million in 2016-2017. This revenue will reach $640 million in 2018-2019.

— Since 2016-2017, an annual amount of $500 million drawn from the specific tax on alcoholic beverages has been allocated to the Generations Fund.

TABLE D.35

Allocation of revenue from the specific tax on alcoholic beverages
(millions of dollars)

	2016-2017	2017-2018	2018-2019
General Fund	130	135	140
Generations Fund	500	500	500
TOTAL	**630**	**635**	**640**

APPENDIX 3: DETAILED CONSOLIDATED FINANCIAL FRAMEWORK

TABLE D.36

Detailed consolidated financial framework

(millions of dollars)

	2016-2017			
	Consolidated Revenue Fund			
	General Fund	Special funds	Generations Fund	Specified purpose accounts
Revenue				
Personal income tax	22 888	729	—	—
Contributions for health services	7 240	—	—	—
Corporate taxes	4 990	183	—	—
School property tax	—	—	—	—
Consumption taxes	17 812	2 445	500	—
Duties and permits	312	1 763	851	—
Miscellaneous revenue	1 353	1 950	527	188
Government enterprises	4 589	—	164	—
Own-source revenue	**59 184**	**7 070**	**2 042**	**188**
Québec government transfers	—	4 676	—	—
Federal transfers	18 584	115	—	1 103
Total revenue	**77 768**	**11 861**	**2 042**	**1 291**
Expenditure				
Mission expenditures	–69 752	–10 588	—	–1 291
Debt service	–7 602	–1 481	—	—
Total expenditure	**–77 354**	**–12 069**	**—**	**–1 291**
Contingency reserve	–100			
SURPLUS (DEFICIT)	**314**	**–208**	**2 042**	**—**
BALANCED BUDGET ACT				
Deposits of dedicated revenues in the Generations Fund			–2 042	
BUDGETARY BALANCE(3)				

(1) Includes doubtful tax accounts.

(2) Reclassification of abatements and consolidation adjustments resulting mainly from the elimination of reciprocal transactions between entities in different sectors.

(3) Budgetary balance within the meaning of the *Balanced Budget Act*.

2016-2017					
Tax-funded[1] expenditures[1]	Non-budget-funded bodies	Bodies in the health and social services network	Bodies in the education networks	Consolidation adjustments [2]	Consolidated results
4 439	—	—	—	1 630	29 686
—	—	—	—	–1 218	6 022
1 717	—	—	—	—	6 890
—	—	—	2 164	—	2 164
272	123	—	—	–1 964	19 188
—	461	—	—	–59	3 328
—	6 075	2 294	1 698	–4 148	9 937
—	—	—	—	—	4 753
6 428	**6 659**	**2 294**	**3 862**	**–5 759**	**81 968**
—	13 011	21 586	12 116	–51 389	—
—	1 146	133	156	–739	20 498
6 428	**20 816**	**24 013**	**16 134**	**–57 887**	**102 466**
–6 428	–19 816	–23 567	–15 695	56 750	–90 387
—	–705	–446	–404	951	–9 687
–6 428	**–20 521**	**–24 013**	**–16 099**	**57 701**	**–100 074**
					–100
—	**295**	**—**	**35**	**–186**	**2 292**
					–2 042
					250

TABLE D.37

Detailed consolidated financial framework

(millions of dollars)

	2017-2018			
	Consolidated Revenue Fund			
	General Fund	**Special funds**	**Generations Fund**	**Specified purpose accounts**
Revenue				
Personal income tax	23 687	798	—	—
Contributions for health services	7 261	—	—	—
Corporate taxes	5 311	210	—	—
School property tax	—	—	—	—
Consumption taxes	18 275	2 468	500	—
Duties and permits	301	2 079	902	—
Miscellaneous revenue	1 364	2 089	656	216
Government enterprises	4 050	—	430	—
Own-source revenue	**60 249**	**7 644**	**2 488**	**216**
Québec government transfers	—	4 720	—	—
Federal transfers	20 053	136	—	1 205
Total revenue	**80 302**	**12 500**	**2 488**	**1 421**
Expenditure				
Mission expenditures	–72 591	–10 815	—	–1 421
Debt service	–7 776	–1 535	—	—
Total expenditure	**–80 367**	**–12 350**	**—**	**–1 421**
Contingency reserve	–100			
SURPLUS (DEFICIT)	**–165**	**150**	**2 488**	**—**
BALANCED BUDGET ACT				
Deposits of dedicated revenues in the Generations Fund			–2 488	
BUDGETARY BALANCE(3)				

(1) Includes doubtful tax accounts.

(2) Reclassification of abatements and consolidation adjustments resulting mainly from the elimination of reciprocal transactions between entities in different sectors.

(3) Budgetary balance within the meaning of the *Balanced Budget Act*.

2017-2018					
Tax-funded expenditures (1)	Non-budget-funded bodies	Bodies in the health and social services network	Bodies in the education networks	Consolidation adjustments (2)	Consolidated results
4 546	—	—	—	1 538	30 569
—	—	—	—	−1 225	6 036
1 706	—	—	—	—	7 227
—	—	—	2 257	—	2 257
284	44	—	—	−1 890	19 681
—	438	—	—	−10	3 710
—	5 897	2 429	1 734	−4 066	10 319
—	—	—	—	—	4 480
6 536	**6 379**	**2 429**	**3 991**	**−5 653**	**84 279**
—	13 683	22 244	12 628	−53 275	—
—	1 131	134	157	−787	22 029
6 536	**21 193**	**24 807**	**16 776**	**−59 715**	**106 308**
−6 536	−20 461	−24 324	−16 374	58 670	−93 852
—	−599	−483	−402	927	−9 868
−6 536	**−21 060**	**−24 807**	**−16 776**	**59 597**	**−103 720**
					−100
—	**133**	**—**	**—**	**−118**	**2 488**
					−2 488
					—

TABLE D.38

Detailed consolidated financial framework

(millions of dollars)

	2018-2019			
	Consolidated Revenue Fund			
	General Fund	Special funds	Generations Fund	Specified purpose accounts
Revenue				
Personal income tax	24 843	828	—	—
Contributions for health services	7 393	—	—	—
Corporate taxes	5 585	217	—	—
School property tax	—	—	—	—
Consumption taxes	18 717	2 523	500	—
Duties and permits	302	2 049	1 028	—
Miscellaneous revenue	1 401	2 385	846	167
Government enterprises	3 942	—	460	—
Own-source revenue	**62 183**	**8 002**	**2 834**	**167**
Québec government transfers	—	4 856	—	—
Federal transfers	20 359	110	—	874
Total revenue	**82 542**	**12 968**	**2 834**	**1 041**
Expenditure				
Mission expenditures	–75 016	–11 267	—	–1 041
Debt service	–7 567	–1 663	—	—
Total expenditure	**–82 583**	**–12 930**	**—**	**–1 041**
Contingency reserve	–100			
SURPLUS (DEFICIT)	**–141**	**38**	**2 834**	**—**
BALANCED BUDGET ACT				
Deposits of dedicated revenues in the Generations Fund			–2 834	
BUDGETARY BALANCE(3)				

(1) Includes doubtful tax accounts.

(2) Reclassification of abatements and consolidation adjustments resulting mainly from the elimination of reciprocal transactions between entities in different sectors.

(3) Budgetary balance within the meaning of the *Balanced Budget Act*.

2018-2019					
Tax-funded expenditures (1)	**Non-budget-funded bodies**	**Bodies in the health and social services network**	**Bodies in the education networks**	**Consolidation adjustments** (2)	**Consolidated results**
4 608	—	—	—	1 589	31 868
—	—	—	—	–1 250	6 143
1 682	—	—	—	—	7 484
—	—	—	2 327	—	2 327
271	28	—	—	–1 962	20 077
—	443	—	—	—	3 822
—	5 925	2 567	1 770	–4 180	10 881
—	—	—	—	—	4 402
6 561	**6 396**	**2 567**	**4 097**	**–5 803**	**87 004**
—	14 213	22 866	13 052	–54 987	—
—	1 237	136	160	–655	22 221
6 561	**21 846**	**25 569**	**17 309**	**–61 445**	**109 225**
–6 561	–21 214	–25 046	–16 890	60 502	–96 533
—	–586	–523	–419	1 000	–9 758
–6 561	**–21 800**	**–25 569**	**–17 309**	**61 502**	**–106 291**
					–100
—	**46**	**—**	**—**	**57**	**2 834**
					–2 834
					—

APPENDIX 4: LIST OF ENTITIES BY PORTFOLIO

TABLE D.39

List of entities by portfolio

Affaires municipales et Occupation du territoire	
Ministère des Affaires municipales et de l'Occupation du territoire	Dept
Commission municipale du Québec	BFB
Régie du logement	BFB
Territories Development Fund	SF
Société d'habitation du Québec	NBFB

Agriculture, Pêcheries et Alimentation	
Ministère de l'Agriculture, des Pêcheries et de l'Alimentation	Dept
Commission de protection du territoire agricole du Québec	BFB
Régie des marchés agricoles et alimentaires du Québec	BFB
La Financière agricole du Québec	NBFB

National Assembly	
National Assembly	Other

Conseil du trésor et Administration gouvernementale	
Secrétariat du Conseil du trésor	Dept
Commission de la fonction publique	BFB
Natural Disaster Assistance Fund	SF
Centre de services partagés du Québec	NBFB
Société québécoise des infrastructures	NBFB

Conseil exécutif	
Ministère du Conseil exécutif	Dept
Commission d'accès à l'information	BFB
Centre de la francophonie des Amériques	NBFB

Culture et Communications	
Ministère de la Culture et des Communications	Dept
Commission de toponymie	BFB
Conseil du patrimoine culturel du Québec	BFB
Conseil supérieur de la langue française	BFB
Office québécois de la langue française	BFB
Fonds Avenir Mécénat Culture	SF
Québec Cultural Heritage Fund	SF
Bibliothèque et Archives nationales du Québec	NBFB
Conseil des arts et des lettres du Québec	NBFB
Conservatoire de musique et d'art dramatique du Québec	NBFB
Musée d'Art contemporain de Montréal	NBFB
Musée de la Civilisation	NBFB
Musée national des beaux-arts du Québec	NBFB
Société de développement des entreprises culturelles	NBFB
Société de la Place des Arts de Montréal	NBFB
Société de télédiffusion du Québec	NBFB
Société du Grand Théâtre de Québec	NBFB

Développement durable, Environnement et Lutte contre les changements climatiques	
Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques	Dept
Bureau d'audiences publiques sur l'environnement	BFB
Green Fund	SF
Société québécoise de récupération et de recyclage	NBFB

Legend: Dept: department; BFB: budget-funded body; SF: special fund; NBFB: non-budget-funded body; HSSE: health and social services and education networks.

TABLE D.39 (cont.)

List of entities by portfolio (cont.)

Économie, Science et Innovation	
Ministère de l'Économie, de la Science et de l'Innovation	Dept
Conseil du statut de la femme	BFB
Commission de l'éthique en science et en technologie	BFB
Capital Mines Hydrocarbures	SF
Economic Development Fund	SF
Fonds de recherche du Québec – Nature et technologies	NBFB
Fonds de recherche du Québec – Santé	NBFB
Fonds de recherche du Québec – Société et culture	NBFB
Centre de recherche industrielle du Québec	NBFB
Société du parc industriel et portuaire de Bécancour	NBFB

Éducation et Enseignement supérieur	
Ministère de l'Éducation et de l'Enseignement supérieur	Dept
Advisory Committee on the Financial Accessibility of Education	BFB
Commission consultative de l'enseignement privé	BFB
Commission d'évaluation de l'enseignement collégial	BFB
Conseil supérieur de l'éducation	BFB
University Excellence and Performance Fund	SF
Sports and Physical Activity Development Fund	SF
Institut de tourisme et d'hôtellerie du Québec	NBFB
Institut national des mines	NBFB
General and vocational colleges (CEGEPs)	HSSE
School boards	HSSE
Université du Québec and its constituents	HSSE

Énergie et Ressources naturelles	
Ministère de l'Énergie et des Ressources naturelles	Dept
Territorial Information Fund	SF
Energy Transition Fund	SF
Natural Resources Fund	SF
Régie de l'énergie	NBFB
Société de développement de la Baie-James	NBFB
Société du Plan Nord	NBFB
Transition énergétique Québec	NBFB

Famille	
Ministère de la Famille	Dept
Curateur public	BFB
Caregiver Support Fund	SF
Educational Childcare Services Fund	SF
Early Childhood Development Fund	SF

Finances	
Ministère des Finances	Dept
Financing Fund	SF
Generations Fund	SF
Fonds du centre financier de Montréal	SF
Northern Plan Fund	SF
Fund of the Financial Markets Administrative Tribunal	SF
Tax Administration Fund	SF
Agence du revenu du Québec	NBFB
Autorité des marchés financiers	NBFB
Financement-Québec	NBFB
Institut de la statistique du Québec	NBFB
Société de financement des infrastructures locales du Québec	NBFB
Government enterprises(1)	Other

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(1) At the financial level, the net results of government enterprises are credited to the Finances portfolio. However, the administration of a government enterprise may come under another portfolio.

TABLE D.39 (cont.)

List of entities by portfolio (cont.)

Forêts, Faune et Parcs	
Ministère des Forêts, de la Faune et des Parcs	Dept
Natural Resources Fund – Sustainable forest development component	SF
Fondation de la faune du Québec	NBFB
Société des établissements de plein air du Québec	NBFB

Immigration, Diversité et Inclusion	
Ministère de l'Immigration, de la Diversité et de l'Inclusion	Dept

Justice	
Ministère de la Justice	Dept
Committee on the Remuneration of Judges	BFB
Committee on the Remuneration of Criminal and Penal Prosecuting Attorneys	BFB
Commission des droits de la personne et des droits de la jeunesse	BFB
Conseil de la justice administrative	BFB
Conseil de la magistrature	BFB
Directeur des poursuites criminelles et pénales	BFB
Office de la protection du consommateur	BFB
Human Rights Tribunal	BFB
Access to Justice Fund	SF
Fonds d'aide aux victimes d'actes criminels	SF
Register Fund of the Ministère de la Justice	SF
Fund of the Administrative Tribunal of Québec	SF
Public Contracts Fund	SF
Commission des services juridiques	NBFB
Fonds d'aide aux actions collectives	NBFB
Office des professions du Québec	NBFB
Société québécoise d'information juridique	NBFB

Persons Appointed by the National Assembly	
Ethics Commissioner	BFB
Lobbyists Commissioner	BFB
Chief Electoral Officer	BFB
Québec Ombudsman	BFB
Auditor General	BFB

Relations internationales et Francophonie	
Ministère des Relations internationales et de la Francophonie	Dept
Office Québec-Amériques pour la jeunesse	NBFB
Office Québec-Monde pour la jeunesse	NBFB

Santé et Services sociaux	
Ministère de la Santé et des Services sociaux	Dept
Commissaire à la santé et au bien-être	BFB
Office des personnes handicapées du Québec	BFB
Health and Social Services Information Resources Fund	SF
Corporation d'urgences-santé	NBFB
Prescription Drug Insurance Fund	NBFB
Héma-Québec	NBFB
Institut national d'excellence en santé et en services sociaux	NBFB
Institut national de santé publique du Québec	NBFB
Régie de l'assurance maladie du Québec	NBFB
Integrated health and social services centres, other public establishments and regional authorities	HSSE

TABLE D.39 (cont.)

List of entities by portfolio (cont.)

Sécurité publique	
Ministère de la Sécurité publique	Dept
Bureau des enquêtes indépendantes	BFB
Bureau du coroner	BFB
Comité de déontologie policière	BFB
Commissaire à la déontologie policière	BFB
Commissaire à la lutte contre la corruption	BFB
Commission québécoise des libérations conditionnelles	BFB
Régie des alcools, des courses et des jeux	BFB
Police Services Fund	SF
École nationale de police du Québec	NBFB
École nationale des pompiers du Québec	NBFB

Tourisme	
Ministère du Tourisme	Dept
Tourism Partnership Fund	SF
Régie des installations olympiques	NBFB
Société du Centre des congrès de Québec	NBFB
Société du Palais des congrès de Montréal	NBFB

Transports, Mobilité durable et Électrification des transports	
Ministère des Transports, de la Mobilité durable et de l'Électrification des transports	Dept
Commission des transports du Québec	BFB
Government Air Service Fund	SF
Rolling Stock Management Fund	SF
Highway Safety Fund	SF
Land Transportation Network Fund	SF
Agence métropolitaine de transport	NBFB
Société de l'assurance automobile du Québec	NBFB
Société des Traversiers du Québec	NBFB

Travail, Emploi et Solidarité sociale	
Ministère du Travail, de l'Emploi et de la Solidarité sociale	Dept
Commission des partenaires du marché du travail	BFB
Assistance Fund for Independent Community Action	SF
Labour Market Development Fund	SF
National Capital and National Capital Region Fund	SF
Goods and Services Fund	SF
Information Technology Fund of the Ministère de l'Emploi et de la Solidarité sociale	SF
Administrative Labour Tribunal Fund	SF
Fonds québécois d'initiatives sociales	SF
Commission de la capitale nationale du Québec	NBFB
Office de la sécurité du revenu des chasseurs et piégeurs cris	NBFB
Régie du bâtiment du Québec	NBFB

Section E

THE QUÉBEC GOVERNMENT'S DEBT

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1. DEBT

Several concepts of debt are used to measure a government's indebtedness. The following table presents data on Québec's debt according to three concepts, namely, gross debt, net debt and debt representing accumulated deficits.

TABLE E.1

Debt of the Québec government as at March 31
(millions of dollars)

	2016	2017	2018	2019	2020	2021	2022
GROSS DEBT[1]	**203 347**	**206 953**	**210 824**	**213 261**	**214 966**	**215 711**	**216 193**
% of GDP	*53.4*	*52.7*	*52.0*	*50.9*	*49.7*	*48.4*	*47.1*
Less: Financial assets, net of other liabilities	−18 322	−21 739	−24 321	−26 269	−28 031	−30 116	−32 453
NET DEBT	**185 025**	**185 214**	**186 503**	**186 992**	**186 935**	**185 595**	**183 740**
% of GDP	*48.6*	*47.2*	*46.0*	*44.6*	*43.2*	*41.6*	*40.0*
Less: Non-financial assets	−67 095	−69 576	−73 353	−76 676	−79 835	−82 122	−84 256
Plus: Stabilization reserve	2 191	2 441	2 441	2 441	2 441	2 441	2 441
DEBT REPRESENTING ACCUMULATED DEFICITS[2]	**120 121**	**118 079**	**115 591**	**112 757**	**109 541**	**105 914**	**101 925**
% of GDP	*31.5*	*30.1*	*28.5*	*26.9*	*25.3*	*23.7*	*22.2*

(1) The gross debt excludes pre-financing and takes into account the sums accumulated in the Generations Fund.

(2) According to the *Act to reduce the debt and establish the Generations Fund*, the debt representing accumulated deficits consists of the accumulated deficits figuring in the government's financial statements plus the balance of the stabilization reserve.

1.1 Gross debt

The gross debt represents the amount of debt issued on financial markets and the net liability in respect of the retirement plans and future benefits of public and parapublic sector employees, minus the balance of the Generations Fund.

As at March 31, 2017, the gross debt should stand at $206 953 million. As a proportion of the economy, it will stand at 52.7% of GDP, which represents a decrease compared to the previous year.

TABLE E.2

Gross debt as at March 31
(millions of dollars)

	2016	2017	2018	2019	2020	2021	2022
Consolidated direct debt	185 124	192 649	199 822	206 413	213 020	219 315	226 084
Plus: Net liability in respect of the retirement plans and employee future benefits	26 745	24 868	24 054	22 734	21 048	19 125	16 827
Less: Generations Fund	−8 522	−10 564	−13 052	−15 886	−19 102	−22 729	−26 718
GROSS DEBT	**203 347**	**206 953**	**210 824**	**213 261**	**214 966**	**215 711**	**216 193**
% of GDP	***53.4***	***52.7***	***52.0***	***50.9***	***49.7***	***48.4***	***47.1***

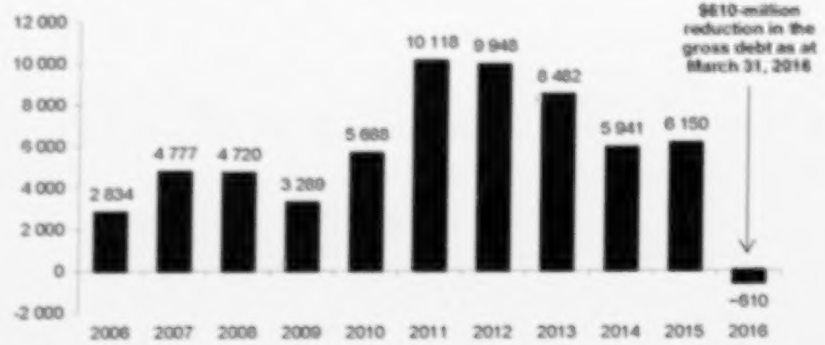
$610-million reduction in the gross debt in 2015-2016

As at March 31, 2016, the gross debt was down in absolute terms. The gross debt recorded as at March 31, 2016 was indeed $610 million lower than the level recorded as at March 31, 2015 and stood at $203.3 billion.

A similar situation had not been seen since 1959.

This outcome results from the combined impact of restored fiscal balance and the deposits made in the Generations Fund.

Annual change in Québec's gross debt as at March 31
(millions of dollars)

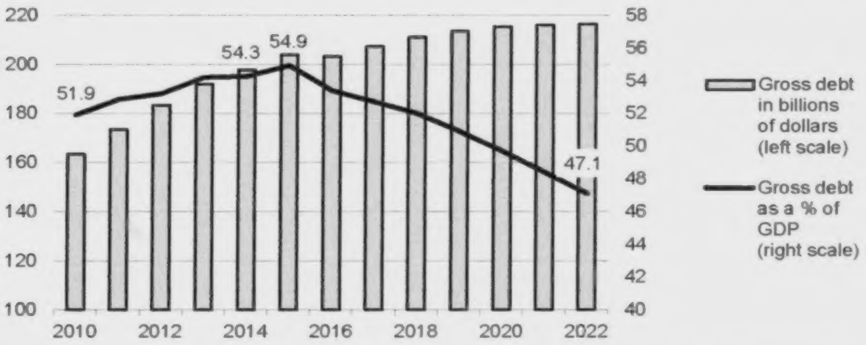


☐ The debt burden will continue to fall

The gross debt will rise in absolute terms over the coming years, particularly because of capital investments, but its weight in the economy will continue to decline. The ratio of gross debt to GDP is expected to reach 47.1% as at March 31, 2022.

CHART E.1

Change in the gross debt as at March 31
(billions of dollars and percentage of GDP)



Retirement plans liability

The net retirement plans liability, which is included in the gross debt, is calculated by subtracting from the retirement plans liability the balance of the Retirement Plans Sinking Fund (RPSF), an asset established to pay the retirement benefits of public and parapublic sector employees.

The retirement plans liability represents the present value of the retirement benefits the government will pay to public and parapublic sector employees, taking into account the conditions of their plans and their years of service. This liability stood at $86 436 million as at March 31, 2016.

The government created the RPSF in 1993. As at March 31, 2016, the RPSF's book value stood at $59 738 million.

Thus, the net retirement plans liability represented $26 698 million as at March 31, 2016.

Net retirement plans liability as at March 31, 2016
(millions of dollars)

Retirement plans liability	
Government and Public Employees Retirement Plan (RREGOP)	54 903
Pension Plan of Management Personnel (PPMP) and Retirement Plan for Senior Officials (RPSO)	12 962
Other plans[1]	18 571
Subtotal	**86 436**
Less: Retirement Plans Sinking Fund (RPSF)	–59 738
NET RETIREMENT PLANS LIABILITY	**26 698**

(1) The liability for the other plans takes into account the assets of the other plans, including those of the Pension Plan of the Université du Québec.

Employee future benefits liability

The government records in the gross debt the value of its commitments regarding future benefits programs for its employees, namely, programs for accumulated sick leave and for pensions paid to the survivors of government employees. These programs give rise to long-term obligations whose costs are covered in full by the government.

As at March 31, 2016, the employee future benefits liability stood at $1 475 million.

As at March 31, 2016, the value of the sums accumulated to pay for employee future benefits programs (Accumulated Sick Leave Fund and Survivor's Pension Plan Fund) stood at $1 428 million.

Thus, the net employee future benefits liability was $47 million as at March 31, 2016.

Net employee future benefits liability as at March 31, 2016
(millions of dollars)

Employee future benefits liability	
Accumulated sick leave	840
Survivor's pension plan	421
Université du Québec programs	214
Subtotal	**1 475**
Less:	
Accumulated Sick Leave Fund	−989
Survivor's Pension Plan Fund	−439
Subtotal	**−1 428**
NET EMPLOYEE FUTURE BENEFITS LIABILITY	**47**

Generations Fund

The Generations Fund was created in June 2006, through the adoption of the *Act to reduce the debt and establish the Generations Fund*. The sums accumulated in the fund are dedicated solely to repaying the debt.

As March 31, 2017, the book value of the Generations Fund is expected to stand at $10.6 billion.

The sums accumulated in the Generations Fund are expected to reach $26.7 billion as at March 31, 2022.

Generations Fund
(millions of dollars)

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
Book value, beginning of year	**6 938**	**8 522**	**10 564**	**13 052**	**15 886**	**19 102**	**22 729**
Dedicated revenues							
Water-power royalties							
Hydro-Québec	641	671	680	687	703	724	733
Private producers	100	103	99	100	102	104	107
Subtotal	**741**	**774**	**779**	**787**	**805**	**828**	**840**
Indexation of the price of heritage electricity	98	164	215	245	325	415	500
Additional contribution from Hydro-Québec	—	—	215	215	215	215	215
Mining revenues	161	77	123	241	297	352	382
Specific tax on alcoholic beverages	100	500	500	500	500	500	500
Unclaimed property	55	55	30	30	30	30	30
Investment income	298	472	626	816	1 044	1 287	1 522
Total dedicated revenues	**1 453**	**2 042**	**2 488**	**2 834**	**3 216**	**3 627**	**3 989**
Deposit from the accumulated surplus of the Commission des normes du travail	131	—	—	—	—	—	—
Total deposits	**1 584**	**2 042**	**2 488**	**2 834**	**3 216**	**3 627**	**3 989**
BOOK VALUE, END OF YEAR	**8 522**	**10 564**	**13 052**	**15 886**	**19 102**	**22 729**	**26 718**

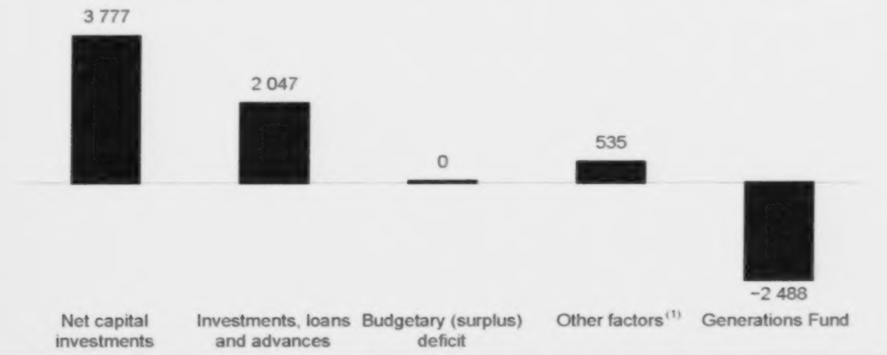
☐ Factors responsible for the growth in the gross debt

In 2017-2018, the gross debt will increase by $3.9 billion, mainly because of capital investments and investments, loans and advances.

Capital investments[1] and investments, loans and advances will increase the gross debt by $5.8 billion, while deposits in the Generations Fund will lead to a $2.5-billion reduction in the gross debt.

CHART E.2

Factors responsible for the growth in the gross debt in 2017-2018
(millions of dollars)



(1) Other factors include, in particular, the change in other accounts, such as accounts receivable and accounts payable.

The table on the next page shows the factors responsible for the growth in the government's gross debt since March 31, 2000.

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[1] These are net capital investments, which consist of gross investments minus depreciation expenses. Even though gross investments have an impact on the gross debt, net capital investments are presented in the factors responsible for the growth in the gross debt due to the fact that depreciation expenses are presented in the budgetary balance. In 2017-2018, gross capital investments will amount to $7 643 million and depreciation expenses to $3 866 million, for a total of $3 777 million in net investments.

TABLE E.3

Factors responsible for the growth in the Québec government's gross debt

(millions of dollars)

	Debt, beginning of year	Budgetary (surplus) deficit[1]	Investments, loans and advances	Net investment in the networks	Net capital investments[2]	Other factors[3]	Deposits in the Generations Fund	Total change	Debt, end of year	% of GDP
2000-2001	116 761	−427	1 701	841	578	1 108		3 801	120 562	52.4
2001-2002	120 562	−22	1 248	934	1 199	−9		3 350	123 912	51.9
2002-2003	123 912	728	1 921	631	1 706	237		5 223	129 135	51.7
2003-2004	129 135	358	1 367	560	1 186	625		4 096	133 231	51.4
2004-2005	133 231	664	1 303	1 486	1 006	−796		3 663	136 894	50.4
2005-2006	136 894	−37	1 488	1 013	1 179	−809		2 834	139 728	49.9
2006-2007	139 728	−109	2 213	1 002	1 177	1 078	−584	4 777	144 505	49.7
2007-2008	144 505	—	2 658	487	1 457	767	−649	4 720	149 225	48.8
2008-2009	149 225	—	966	622	2 448	−28	−719	3 289	152 514	48.5
With networks consolidated line by line[4]										
2009-2010	157 630	3 174	1 746		4 226	−2 733	−725	5 688	163 318	51.9
2010-2011	163 318	3 150	2 507		4 923	298	−760	10 118	173 436	52.9
2011-2012	173 436	2 628	1 861		5 071	1 228	−840	9 948	183 384	53.2
2012-2013	183 384	3 476[5]	659		4 863	445	−961	8 482	191 866	54.2
2013-2014	191 866	2 824	1 349		3 977	−788	−1 421	5 941	197 807	54.3
2014-2015	197 807	1 143[6]	2 146		2 980	1 160	−1 279	6 150	203 957	54.9
2015-2016	203 957	−2 191	808		2 695	−338	−1 584	−610	203 347	53.4
2016-2017	203 347	−250	2 970		2 481	447	−2 042	3 606	206 953	52.7
2017-2018	206 953	—	2 047		3 777	535	−2 488	3 871	210 824	52.0
2018-2019	210 824	—	1 989		3 323	−41	−2 834	2 437	213 261	50.9
2019-2020	213 261	—	1 811		3 159	−49	−3 216	1 705	214 966	49.7
2020-2021	214 966	—	1 818		2 287	267	−3 627	745	215 711	48.4
2021-2022	215 711	—	1 840		2 134	497	−3 989	482	216 193	47.1

(1) From 2006-2007 to 2009-2010, the budgetary balance presented is the budgetary balance after the stabilization reserve.

(2) Investments made under private-public partnership agreements are included in net capital investments.

(3) Other factors include, in particular, the change in other accounts, such as accounts receivable and accounts payable.

(4) The line-by-line consolidation of the health and social services and education networks raised the gross debt by $5 116 million as at March 31, 2009. This amount represents the debt contracted by the networks in their own name, which was previously not included in the government's debt. The data prior to 2009-2010 could not be restated and are thus not comparable.

(5) This amount includes the loss of $1 876 million stemming from activities abandoned following the closure of Hydro-Québec's Gentilly-2 nuclear power plant.

(6) Budgetary balance excluding the impact of accounting adjustments. The budgetary balance including accounting adjustments of $418 million is a deficit of $725 million.

❑ Change in the gross debt burden and the importance of the Generations Fund

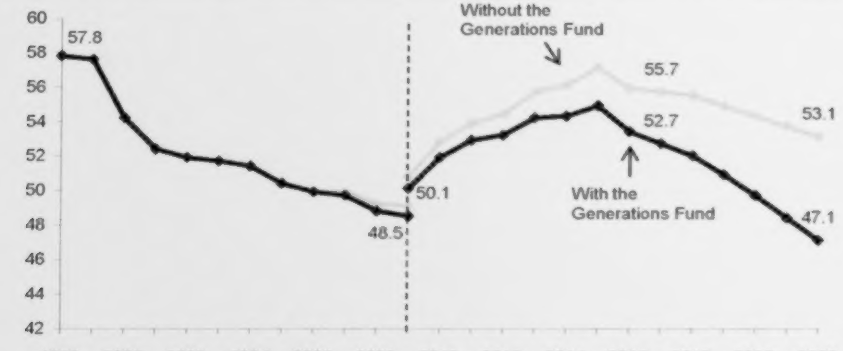
After declining from 1998 to 2009, the gross-debt-to-GDP ratio rose due to growth in capital investments and the 2008-2009 recession, which led to deficits from 2009-2010 to 2014-2015.

The following chart illustrates the importance of the Generations Fund. Without the deposits made in the Generations Fund, the ratio of gross debt to GDP would be much higher. As at March 31, 2022, the gross debt burden is expected to stand at 47.1%. Without the Generations Fund, the forecast would be 53.1%, or 6.0 percentage points of GDP higher.

This difference represents $27.7 billion. In other words, if the government had not created the Generations Fund in 2006, the gross debt forecast as at March 31, 2022 would be $27.7 billion higher,[2] that is, $3 207 dollars per capita. By reducing the debt, the Generations Fund is a powerful instrument of intergenerational equity.

CHART E.3

Gross debt as at March 31
(percentage of GDP)



Note: The line-by-line consolidation of the health and social services and education networks raised the gross-debt-to-GDP ratio from 48.5% to 50.1% as at March 31, 2009.

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[2] The difference of $27.7 billion is $1 billion higher than the balance of the Generations Fund as at March 31, 2022 ($26.7 billion) owing to the use of $1 billion from the Generations Fund in 2013-2014 to repay maturing borrowings.

Inclusion, in the gross debt, of debt contracted by the Financing Fund for government enterprises and entities not included in the reporting entity

The debt of government enterprises and entities not included in the reporting entity that is financed by the Financing Fund is not recorded in the gross debt.

However, debt issued by Financement-Québec to finance entities not included in the reporting entity is included in the gross debt. This leads to a difference in treatment. The Auditor General of Québec has asked the government in the past to look into this question of differing treatment.

To favourably address the request of the Auditor General of Québec, the government intends to modify the definition of gross debt in the *Act to reduce the debt and establish the Generations Fund* so that it will include debt contracted by the Financing Fund to finance government enterprises and entities not included in the reporting entity.

In addition, the *Act to modify mainly the organization and governance of shared transportation in the Montréal metropolitan area* provides for, in fiscal 2017-2018, the elimination of the Agence métropolitaine de transport (AMT) and the establishment of two municipal bodies, namely, the Autorité régionale de transport métropolitain (ARTM) and the Réseau de transport métropolitain (RTM). Accordingly, loans granted by the Financing Fund to the AMT ($1.7 billion as at March 31, 2017) will eventually be transferred to the ARTM and the RTM. The change that will be made to the definition of gross debt will allow such loans transferred to entities not included in the reporting entity to keep being recorded in the calculation of the gross debt.

The inclusion of debt contracted by the Financing Fund to finance government enterprises and entities not included in the reporting entity will increase the gross debt by $258 million as at March 31, 2017.

Impact on the gross debt as at March 31, 2017 of including debt contracted by the Financing Fund for government enterprises and entities not included in the reporting entity
(millions of dollars)

	Before	After	Change
Debt before deferred foreign exchange gains (losses)	198 082	198 082	—
Less: Debt contracted by the Financing Fund to finance government enterprises and entities not included in the reporting entity	−258	—	258
Subtotal	197 824	198 082	258
Less: Pre-financing	−5 433	−5 433	—
Consolidated direct debt (A)	192 391	192 649	258
Net liability in respect of the retirement plans and employee future benefits (B)	24 868	24 868	—
Less: Generations Fund (C)	−10 564	−10 564	—
GROSS DEBT (A + B + C)	**206 695**	**206 953**	**258**
% of GDP	***52.7***	***52.7***	—

1.2 Net debt

The net debt is equal to the Québec government's liabilities less its financial assets. It represents the debt that has funded capital investments and current expenditures. The net debt is calculated by subtracting from the gross debt the government's financial assets, net of other liabilities.

As at March 31, 2017, the net debt is expected to stand at $185 214 million, or 47.2% of GDP. As a proportion of GDP, the net debt began to decrease in 2013-2014 and will continue to fall over the coming years, to 40.0% as at March 31, 2022.

TABLE E.4

Factors responsible for the growth in the net debt
(millions of dollars)

	Debt, beginning of year	Budgetary (surplus) deficit	Net capital investments	Other	Revenues dedicated to the Generations Fund	Total change	Debt, end of year	% of GDP
2012-2013	167 700	3 476[1]	4 863	4 959	–961	12 337	180 037	50.9
2013-2014	180 037	2 824	3 977	–2 465	–1 121	3 215	183 252	50.3
2014-2015	183 252	1 143[2]	2 980	–409	–1 279	2 435	185 687	50.0
2015-2016	185 687	–2 191	2 695	287	–1 453	–662	185 025	48.6
2016-2017	185 025	–250	2 481	—	–2 042	189	185 214	47.2
2017-2018	185 214	—	3 777	—	–2 488	1 289	186 503	46.0
2018-2019	186 503	—	3 323	—	–2 834	489	186 992	44.6
2019-2020	186 992	—	3 159	—	–3 216	–57	186 935	43.2
2020-2021	186 935	—	2 287	—	–3 627	–1 340	185 595	41.6
2021-2022	185 595	—	2 134	—	–3 989	–1 855	183 740	40.0

(1) This amount includes the loss of $1 876 million stemming from activities abandoned following the closure of Hydro-Québec's Gentilly-2 nuclear power plant.

(2) Budgetary balance excluding the impact of accounting adjustments. The budgetary balance including accounting adjustments of $418 million is a deficit of $725 million.

1.3 Debt representing accumulated deficits

The debt representing accumulated deficits corresponds to the difference between the Québec government's liabilities and its financial and non-financial assets as a whole. This debt is calculated by subtracting financial assets, net of other liabilities, as well as non-financial assets from the gross debt. In accordance with the *Act to reduce the debt and establish the Generations Fund*, it is also increased by the stabilization reserve.

As at March 31, 2017, the debt representing accumulated deficits is expected to stand at $118 079 million, or 30.1% of GDP. As a proportion of GDP, the debt representing accumulated deficits began to decrease in 2013-2014 and will continue to fall over the coming years, to 22.2% as at March 31, 2022.

TABLE E.5

Factors responsible for the growth in the debt representing accumulated deficits
(millions of dollars)

	Debt, beginning of year	Budgetary (surplus) deficit	Allocation to the stabilization reserve	Accounting adjustments	Revenues dedicated to the Generations Fund	Total change	Debt, end of year	% of GDP
2012-2013	115 220	3 476(1)	—	4 880	−961	7 395	122 615	34.6
2013-2014	122 615	2 824	—	−2 471	−1 121	−768	121 847	33.4
2014-2015	121 847	1 143(2)	—	−443	−1 279	−579	121 268	32.7
2015-2016	121 268	−2 191	2 191	306	−1 453	−1 147	120 121	31.5
2016-2017	120 121	−250	250	—	−2 042	−2 042	118 079	30.1
2017-2018	118 079	—	—	—	−2 488	−2 488	115 591	28.5
2018-2019	115 591	—	—	—	−2 834	−2 834	112 757	26.9
2019-2020	112 757	—	—	—	−3 216	−3 216	109 541	25.3
2020-2021	109 541	—	—	—	−3 627	−3 627	105 914	23.7
2021-2022	105 914	—	—	—	−3 989	−3 989	101 925	22.2

(1) This amount includes the loss of $1 876 million stemming from activities abandoned following the closure of Hydro-Québec's Gentilly-2 nuclear power plant.

(2) Budgetary balance excluding the impact of accounting adjustments. The budgetary balance including accounting adjustments of $418 million is a deficit of $725 million.

1.4 Debt reduction objectives

The Québec government has set debt reduction objectives that have been included in the *Act to reduce the debt and establish the Generations Fund*. For fiscal 2025-2026:

— the gross debt must not exceed 45% of GDP;

— the debt representing accumulated deficits must not exceed 17% of GDP.

The trajectories have been revised on the basis of the anticipated change in the debt and the economy.

CHART E.4

Gross debt as at March 31

(percentage of GDP)

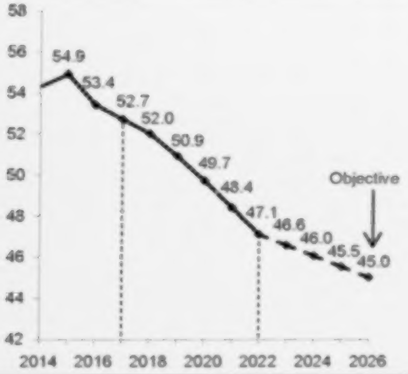
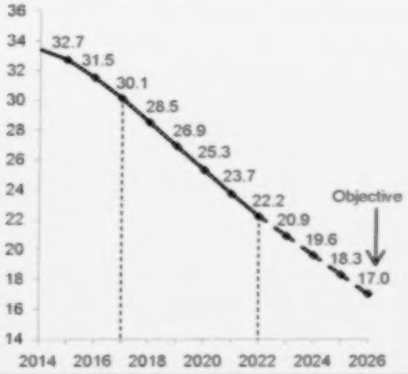


CHART E.5

Debt representing accumulated deficits as at March 31

(percentage of GDP)



To achieve these debt reduction objectives, the government established the Generations Fund in 2006. The main revenue sources dedicated to the Generations Fund are as follows:

— water-power royalties paid by Hydro-Québec and private producers of hydro-electricity;

— revenue generated by the indexation of the price of heritage electricity;

— all mining revenues;

- an amount derived from the specific tax on alcoholic beverages ($500 million per year since 2016-2017);
  - In 2013, the government chose to offset the impact on the debt of the additional deficits caused by the decision to postpone for two years the return to a balanced budget, which was forecast for 2013-2014, by increasing deposits in the Generations Fund drawn from the specific tax on alcoholic beverages as of 2016-2017.
- investment income that accumulates in the Generations Fund and thus accelerates debt reduction.

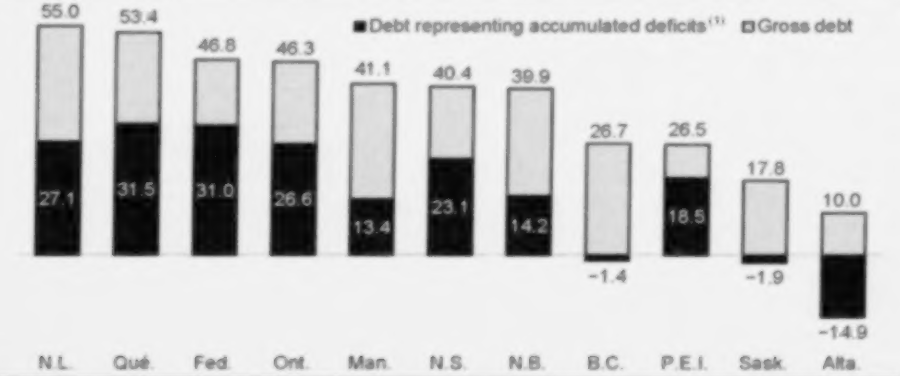
1.5 Comparison of the debt of governments in Canada

On the basis of gross debt and percentage of GDP, Québec is the second most heavily indebted province after Newfoundland and Labrador.

However, Québec is the most heavily indebted province on the basis of debt representing accumulated deficits.

CHART E.6

Gross debt and debt representing accumulated deficits as at March 31, 2016
(percentage of GDP)



(1) A negative entry means that the government has an accumulated surplus.
Sources: Public accounts of the provinces and the federal government and Statistics Canada.

The table on the following page shows the debt of the federal government and each of the provinces as at March 31, 2016. Contrary to the net debt and the debt representing accumulated deficits, the gross debt cannot be observed directly in the public accounts of the other provinces. However, the public accounts show the components of gross debt, that is, the consolidated direct debt, the net retirement plans liability and the net employee future benefits liability. Therefore, it is possible to calculate the level of the gross debt according to the same concept used by Québec.

The debt concepts used in budget documents may also differ from one government to another. For instance, the commitment to reduce the debt burden of the federal government concerns solely the debt representing accumulated deficits, whereas Québec's debt reduction objectives concern the gross debt and the debt representing accumulated deficits.

Public sector debt

Public sector debt includes the government's gross debt as well as the debt of Hydro-Québec, municipalities, universities other than the Université du Québec and its constituents, and other government enterprises. This debt has served, in particular, to fund public infrastructure, such as roads, schools, hospitals, hydroelectric dams and water treatment plants.

As at March 31, 2017, Québec's public sector debt is expected to stand at $276 201 million, or 70.4% of GDP. These figures must be put into perspective for they do not take into account the economic value of certain assets held by the government, such as Hydro-Québec, the Société des alcools du Québec and Loto-Québec.

Public sector debt as at March 31
(millions of dollars)

	2013	2014	2015	2016	2017
Government's gross debt	191 866	197 807	203 957	203 347	206 953
Hydro-Québec	39 631	40 361	41 662	43 843	43 585
Municipalities(1)	21 820	22 622	23 305	23 846	24 055
Universities other than the Université du Québec and its constituents(2)	1 739	1 610	1 624	1 608	1 608
Other government enterprises(3)	1 479	433	383	308	—
PUBLIC SECTOR DEBT	**256 535**	**262 833**	**270 931**	**272 952**	**276 201**
% of GDP	***72.5***	***72.1***	***73.0***	***71.7***	***70.4***

(1) These amounts correspond to the long-term debt contracted by municipalities in their own name. Part of this debt is subsidized by the government ($3 409 million as at March 31, 2017).

(2) These amounts correspond to the debt contracted by universities other than the Université du Québec and its constituents in their own name. Part of this debt is subsidized by the government ($692 million as at March 31, 2017).

(3) These amounts correspond to the debt of the Financing Fund to finance government enterprises and entities not included in the reporting entity. As of 2017, this debt is included in the gross debt ($258 million as at March 31, 2017).

2. FINANCING AND DEBT MANAGEMENT

2.1 Financing program

The government's financing program for 2016-2017 amounted to $22 675 million, which is $8 697 million more than forecast in the March 2016 Québec Economic Plan. This upward revision is primarily attributable to pre-financing.

TABLE E.7

The government's financing program in 2016-2017
(millions of dollars)

	March 2016	Revisions	March 2017
GENERAL FUND			
Net financial requirements(1)	2 740	−1 959	781
Repayments of borrowings	9 322	592	9 914
Change in cash position(2)	−7 584	−929	−8 513
Deposits in the Retirement Plans Sinking Fund (RPSF)(3)	—	1 500	1 500
Transactions under the credit policy(4)	—	2 238	2 238
Contributions to the Sinking Fund for borrowings	—	2 308	2 308
Pre-financing	—	5 433	5 433
GENERAL FUND	**4 478**	**9 183**	**13 661**
FINANCING FUND	**9 000**	**−1 242**	**7 758**
FINANCEMENT-QUÉBEC	**500**	**756**	**1 256**
TOTAL	**13 978**	**8 697**	**22 675**
Including: repayments of borrowings	13 835	780	14 615

Note: A negative entry indicates a source of financing and a positive entry, a financial requirement.

(1) These amounts exclude the net financial requirements of consolidated entities funded through the Financing Fund. They are adjusted to take into account, in particular, the non-receipt of revenues of the RPSF and of funds dedicated to employee future benefits.

(2) The change in cash position corresponds to pre-financing carried out the previous year.

(3) Deposits in the RPSF are optional. They are recorded in the financing program only once they are made.

(4) Under the credit policy, which is designed to limit financial risk with respect to counterparties, the government disburses or receives amounts because of movements in exchange rates. These amounts have no effect on the debt.

The financing program will amount to $11 264 million in 2017-2018 and $20 559 million in 2018-2019. In 2019-2020, 2020-2021 and 2021-2022, it is expected to amount to $17 881 million, $16 803 million and $19 056 million, respectively.

TABLE E.8

The government's financing program, 2017-2018 to 2021-2022
(millions of dollars)

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
GENERAL FUND					
Net financial requirements[1]	3 013	1 911	1 069	2 138	2 328
Repayments of borrowings	5 484	7 748	7 712	6 565	11 628
Change in cash position[2]	–5 433	—	—	—	—
GENERAL FUND	**3 064**	**9 659**	**8 781**	**8 703**	**13 956**
FINANCING FUND	**7 000**	**9 500**	**7 500**	**7 000**	**4 500**
FINANCEMENT-QUÉBEC	**1 200**	**1 400**	**1 600**	**1 100**	**600**
TOTAL	**11 264**	**20 559**	**17 881**	**16 803**	**19 056**
Including: repayments of borrowings	10 992	16 042	13 566	10 468	15 000

Note: A negative entry indicates a source of financing and a positive entry, a financial requirement.

(1) These amounts exclude the net financial requirements of consolidated entities funded through the Financing Fund. They are adjusted to take into account, in particular, the non-receipt of revenues of the RPSF and of funds dedicated to employee future benefits.

(2) The change in cash position corresponds to pre-financing carried out the previous year.

2.2 Financing strategy

The government aims to borrow at the lowest possible cost. To that end, it applies a strategy for diversifying sources of funding by market, financial instrument and maturity.

2.2.1 Diversification by market

Financing transactions are carried out regularly on most markets, namely, in Canada, the United States, Europe, Australia and Asia.

Over the past ten years, 17% of borrowings have been contracted on average in foreign currencies. Nonetheless, the government keeps no exposure of its debt to those currencies (see section 2.5).

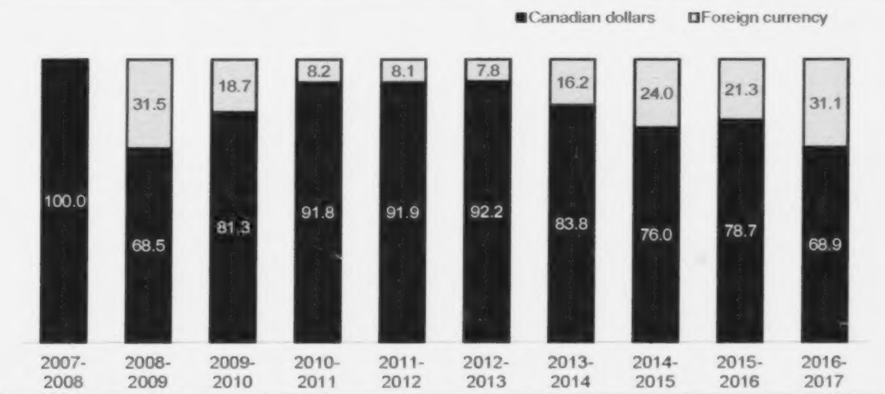
More precisely, in 2016-2017, the government carried out 31.1% of its borrowings on foreign markets:

- US$5 billion (CAN$6.4 billion);
- AU$510 million (CAN$526 million);
- HK$540 million (CAN$89 million).

With regard to financing on foreign markets, it has been an exceptional year with excellent opportunities presenting themselves for Québec, particularly in the United States where three benchmarks were issued for a total of US$5 billion. This is the largest amount ever raised in a single fiscal year on the U.S. market.

CHART E.7

Long-term borrowings by currency
(per cent)



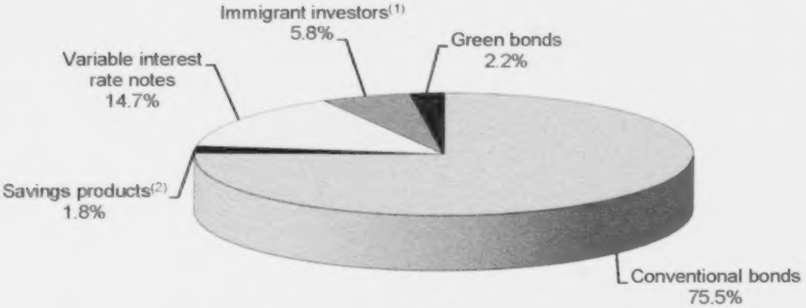
2.2.2 Diversification by instrument

To satisfy investors' needs, an extensive array of financial products is used in the course of financing transactions.

Long-term instruments consist primarily of bonds (conventional and green) and variable interest rate notes.

CHART E.8

Long-term borrowings contracted in 2016-2017 by instrument
(per cent)



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(1) These borrowings are from immigrant investors. The sums advanced by immigrant investors are lent to the government through Investissement Québec. With the income generated by the investments, Investissement Québec funds two assistance programs for Québec businesses: the Business Assistance – Immigrant Investor Program and the Employment Integration Program for Immigrants and Visible Minorities.

(2) Savings products issued by Épargne Placements Québec.

Launching of the Green Bond program

The government is engaging in green finance with the launching of a Green Bond program that will fund projects generating tangible benefits with regard to protecting the environment, reducing greenhouse gas (GHG) emissions or adapting to climate change.

In this way, the government is contributing to the development of a socially responsible investment market and facilitating the shift to a low-carbon intensity economy.

The inaugural issue of green bonds, totalling CAN$500 million, took place on February 24, 2017. Through this inaugural issue, the government plans, in particular, to fund public transit projects such as the replacement of Société de transport de Montréal métro cars (with AZUR trains) and the purchase of hybrid buses.

Besides seeking to diversify its sources of funding, the Ministère des Finances du Québec wishes to be at the forefront of infrastructure financing trends. By putting this program in place, Québec is demonstrating not only its commitment to developing the green bond market, but also its commitment to the environment.

Highlights

- Québec's green bonds, which are part of the government's annual borrowing program, have the same characteristics as conventional bonds as far as price, yield, maturity and credit ratings are concerned.
- The Green Bond program draws on the Green Bond Principles, a set of core guidelines introduced in 2014 by a group of financial institutions seeking to improve transparency in this growing market.
- The framework of Québec's Green Bond program has received the highest rating possible from CICERO (Center for International Climate and Environmental Research – Oslo).
- Québec is the second province, after Ontario, to issue green bonds on the Canadian market.

For further details, please visit:
www.finances.gouv.qc.ca/en/RI_GB_Green_Bonds.asp

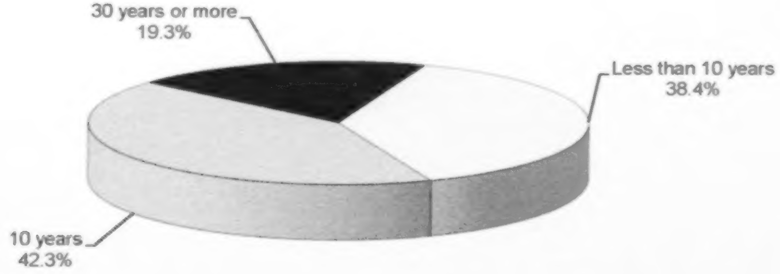
2.2.3 Diversification by maturity

Maturities of new borrowings are distributed over time to obtain a stable refinancing profile and ensure the government's regular presence on capital markets.

In 2016-2017, 38.4% of contracted borrowings had a maturity of less than 10 years, 42.3% a maturity of 10 years and 19.3% a maturity of 30 years or more.

CHART E.9

Long-term borrowings[1] contracted in 2016-2017 by maturity
(per cent)



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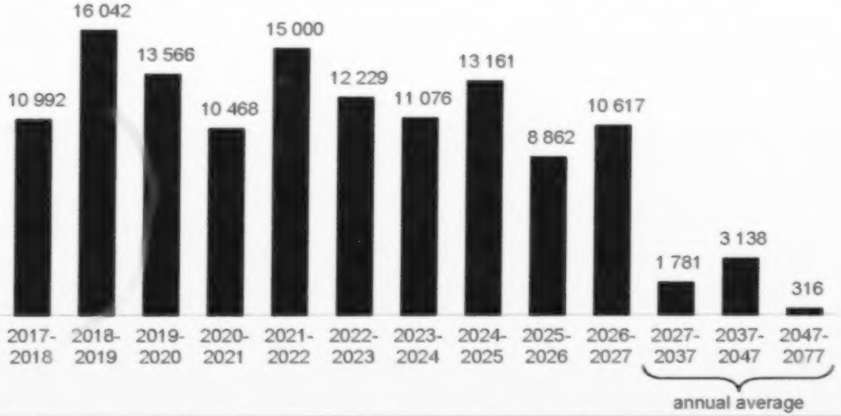
(1) Long-term borrowings correspond to borrowings with a maturity of more than one year.

This diversification by maturity is reflected on the maturity of the debt. As at March 31, 2017, the average maturity of the debt, that is, of all borrowings contracted, is expected to be 11 years.

The following chart shows, for each year, the maturity of the long-term debt as at March 31, 2017. For example, repayments of borrowings will amount to $10 992 million in 2017-2018 and $16 042 million in 2018-2019. The maturity of the debt extends to 2076-2077, with one borrowing maturing on December 1, 2076.

CHART E.10

Maturity of the long-term debt as at March 31, 2017
(millions of dollars)



Note: Long-term debt of the general fund, the Financing Fund and Financement-Québec.

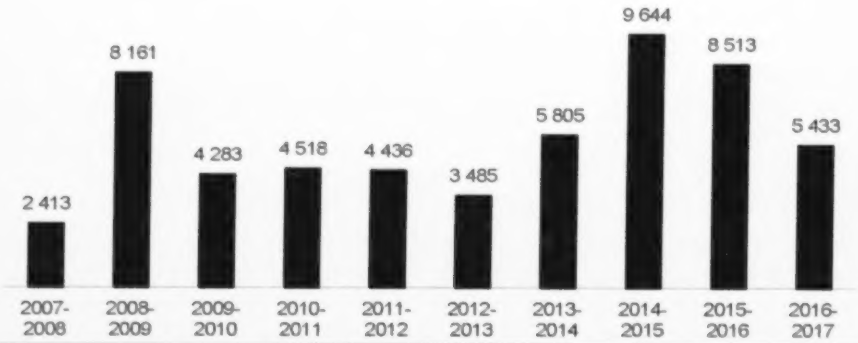
2.3 Pre-financing

The government carries out pre-financing to take advantage of favourable market conditions. These are borrowings that would normally be contracted during the subsequent fiscal year.

In 2016-2017, the government carried out pre-financing totalling $5.4 billion. The average for the past 10 years is $5.7 billion per year.

CHART E.11

Pre-financing
(millions of dollars)

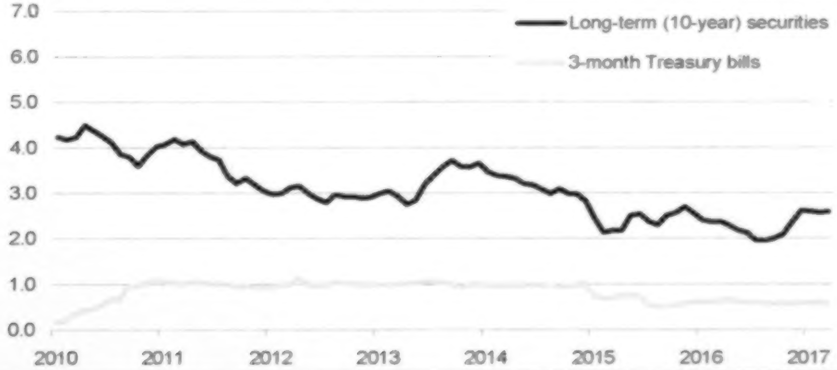


2.4 Yield

The yield on the Québec government's 10-year securities is currently about 2.6%, while that on short-term securities is roughly 0.6%. Since the beginning of year 2010, the yield has averaged 3.1% for long-term securities and 0.8% for short-term securities.

CHART E.12

Yield on the Québec government's securities
(per cent)



Sources: PC-Bond and Ministère des Finances du Québec.

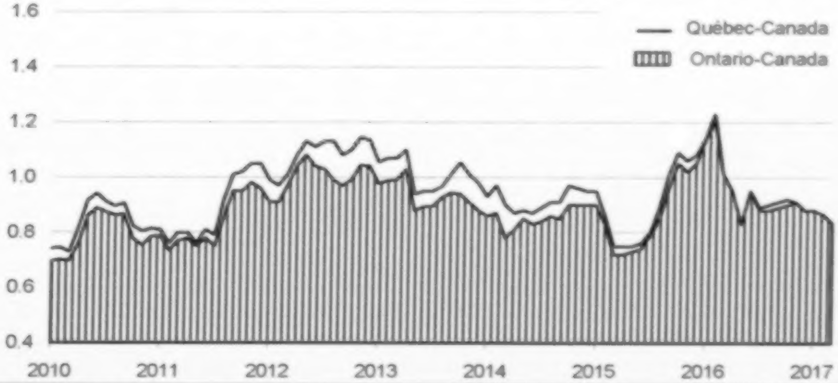
Since January 1, 2010, the spread between the yield on 10-year securities of the Québec government and those of the federal government has varied between 0.7 and 1.2 percentage points. The spread is currently about 0.8 percentage point.

The same trend has been observed with regard to the spread between the yield on the long-term securities of Ontario and the federal government. Since January 1, 2010, the spread has varied between 0.7 and 1.2 percentage points and it is currently about 0.8 percentage point.

No spread is observed at the moment between the yield on long-term securities of Québec and Ontario.

CHART E.13

Yield spread on long-term (10-year) securities
(percentage points)



Source: PC-Bond.

2.5 Debt management

The government's debt management strategy aims to minimize the cost of debt while limiting the risks related to fluctuations in foreign exchange and interest rates.

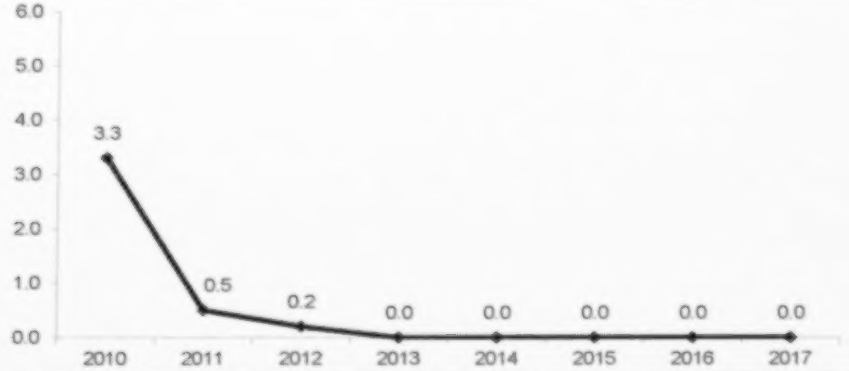
The government uses a range of financial instruments, particularly interest rate and currency swap agreements, to achieve desired debt proportions by currency and interest rate.

❑ Proportion of the gross debt in foreign currency

As at March 31, 2017, the proportion of the government's gross debt in foreign currency, after taking into account interest rate and currency swap agreements, will be nil.[3] This proportion has been nil since 2013.

CHART E.14

Proportion of the gross debt in foreign currency as at March 31
(per cent)



Note: Gross debt including pre-financing.

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[3] As at March 31, 2017, before taking into account interest rate and currency swap agreements, the proportion of the gross debt will be 83.7% in Canadian dollars, 9.5% in U.S. dollars, 4.5% in euros, 1.2% in Swiss francs and 1.1% in other foreign currencies (yen, Australian dollars, Hong Kong dollars and pounds sterling).

TABLE E.6

Debt of governments in Canada as at March 31, 2016 according to various concepts

(millions of dollars)

	N.L.	Qué.	Fed.	Ont.	Man.	N.S.	N.B.	B.C.	P.E.I.	Sask.	Alta.
Consolidated direct debt	**9 137**	**185 124**	**693 813**	**341 558**	**24 226**	**13 525**	**12 126**	**64 472**	**1 920**	**6 211**	**22 194**
Net liability in respect of the retirement plans and employee future benefits	7 429	26 745	236 269	12 107	2 865	2 739	1 071	2 315	−281	7 922	10 566
Generations Fund	—	−8 522	—	—	—	—	—	—	—	—	—
Gross debt	**16 566**	**203 347**	**930 082**	**353 665**	**27 091**	**16 264**	**13 197**	**66 787**	**1 639**	**14 133**	**32 760**
% of GDP	*55.0*	*53.4*	*46.8*	*46.3*	*41.1*	*40.4*	*39.9*	*26.7*	*26.5*	*17.8*	*10.0*
Less: Financial assets, net of other liabilities	−3 912	−18 322	−236 331	−48 432	−5 658	−1 167	463	−27 152	531	−6 234	−33 991
Net debt[1]	**12 654**	**185 025**	**693 751**	**305 233**	**21 433**	**15 097**	**13 660**	**39 635**	**2 170**	**7 899**	**−1 231**
% of GDP	*42.0*	*48.6*	*34.9*	*40.0*	*32.5*	*37.5*	*41.3*	*15.9*	*35.1*	*9.9*	*−0.4*
Less: Non-financial assets	−4 484	−67 095	−77 765	−102 536	−12 621	−5 813	−8 958	−43 014	−1 026	−9 394	−47 311
Plus: Stabilization reserve	—	2 191	—	—	—	—	—	—	—	—	—
Debt representing accumulated deficits[1]	**8 170**	**120 121**	**615 986**	**202 697**	**8 812**	**9 284**	**4 702**	**−3 379**	**1 144**	**−1 495**	**−48 542**
% of GDP	*27.1*	*31.5*	*31.0*	*26.6*	*13.4*	*23.1*	*14.2*	*−1.4*	*18.5*	*−1.9*	*−14.9*

(1) A negative entry indicates that the government has net assets or an accumulated surplus.

Sources: Public accounts of the provinces and the federal government and Statistics Canada.

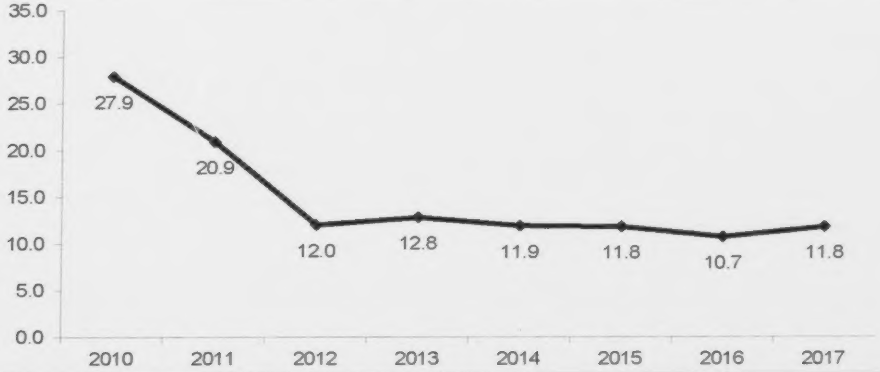
❑ Proportion of the gross debt at variable interest rates

The government keeps part of its debt at variable interest rates and part at fixed interest rates.

After taking into account interest rate and currency swap agreements, the proportion of the gross debt at variable interest rates is expected to be 11.8% as at March 31, 2017. Since 2012, this proportion has been approximately 12% on average.

CHART E.15

Proportion of the gross debt at variable rates as at March 31[1]
(per cent)



Note: Gross debt including pre-financing.

[1] The debt at variable interest rates includes variable interest rate financial instruments as well as fixed interest rate financial instruments that mature in one year or less.

2.6 Borrowings contracted

TABLE E.9

Summary of long-term borrowings in 2016-2017

Currency	$ million	%
CANADIAN DOLLAR		
Conventional bonds	11 375	50.2
Variable interest rate notes	2 021	8.9
Immigrant investors	1 321	5.8
Green bonds	499	2.2
Savings products issued by Épargne Placements Québec	414	1.8
Subtotal	**15 630**	**68.9**
OTHER CURRENCIES		
U.S. dollar	6 430	28.4
Australian dollar	526	2.3
Hong Kong dollar	89	0.4
Subtotal	**7 045**	**31.1**
TOTAL	**22 675**	**100.0**

Note: Borrowings contracted or negotiated as at March 13, 2017.

3. INFORMATION ON THE RETIREMENT PLANS AND ON FUNDS DEPOSITED BY THE MINISTÈRE DES FINANCES WITH THE CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

3.1 Retirement plans

The Québec government participates financially in the retirement plans of its employees. These plans had 592 797 active participants and 366 719 beneficiaries as at December 31, 2015.

TABLE E.10

Retirement plans of public and parapublic sector employees as at December 31, 2015

	Active participants	Beneficiaries
Government and Public Employees Retirement Plan (RREGOP)	545 932	262 897
Pension Plan of Management Personnel (PPMP) and Retirement Plan for Senior Officials (RPSO)	27 747	30 152
Other plans:		
– Teachers Pension Plan (TPP)(1) and Pension Plan of Certain Teachers (PPCT)(1)	38	42 685
– Civil Service Superannuation Plan (CSSP)(1)	8	18 473
– Superannuation Plan for the Members of the Sûreté du Québec (SPMSQ)	5 625	5 274
– Pension Plan of Peace Officers in Correctional Services (PPPOCS)	4 048	1 910
– Pension Plan of the Judges of the Court of Québec and of Certain Municipal Courts (PPJCQM)	294	368
– Pension Plan for Federal Employees Transferred to Employment with the Gouvernement du Québec (PPFEQ)(2)	142	195
– Pension Plan of the Members of the National Assembly (PPMNA)	122	427
– Pension Plan of the Université du Québec (PPUQ)	8 841	4 338
Total for other plans	19 118	73 670
TOTAL	**592 797**	**366 719**

(1) These plans have not accepted any new participants since July 1, 1973.
(2) This plan has not accepted any new participants since it came into effect on January 1, 1992.
Source: *Public Accounts 2015-2016*.

☐ Retirement plans liability

In its financial statements, the government discloses the present value of the retirement benefits it will pay to its employees, taking into account the conditions governing their plans as well as their years of service. This value is called the retirement plans liability. It does not take into account the sums accumulated to pay retirement benefits, particularly the Retirement Plans Sinking Fund (RPSF).

The actuarial valuations of the liability of the various retirement plans are carried out by Retraite Québec, following the rules of the Canadian Institute of Actuaries (CIA) and the Chartered Professional Accountants of Canada (CPA Canada) for the public sector. The liability valuation for the Pension Plan of the Université du Québec (PPUQ) is performed by a private-sector actuarial firm.

As at March 31, 2016, the liability for the retirement plans of public and parapublic sector employees stood at $86 436 million (net of the plans' assets). This amount is recognized in the government's gross debt.

TABLE E.11

Retirement plans liability as at March 31, 2016
(millions of dollars)

Government and Public Employees Retirement Plan (RREGOP)	54 903
Pension Plan of Management Personnel (PPMP) and Retirement Plan for Senior Officials (RPSO)	12 962
Other plans:	
– Teachers Pension Plan (TPP) and Pension Plan of Certain Teachers (PPCT)	10 762
– Civil Service Superannuation Plan (CSSP)	3 412
– Superannuation Plan for the Members of the Sûreté du Québec (SPMSQ)	4 016
– Pension Plan of the Université du Québec (PPUQ)	3 657
– Pension Plan of Peace Officers in Correctional Services (PPPOCS)	555
– Pension Plan of the Judges of the Court of Québec and of Certain Municipal Courts (PPJCQM)	620
– Pension Plan of the Members of the National Assembly (PPMNA)	205
– Pension Plan for Federal Employees Transferred to Employment with the Gouvernement du Québec (PPFEQ)	156
– Plans' assets(1)	–4 812
Total for other plans	18 571
RETIREMENT PLANS LIABILITY	**86 436**

(1) Plans' assets, particularly those of the PPFEQ, SPMSQ and PPUQ.

Summary description of the retirement plans

The retirement plans of public and parapublic sector employees are defined benefit retirement plans. Benefits are calculated on the basis of participants' average income for the best paid years (generally five) and their number of years of service. The pension usually represents 2% of an employee's average income per year of service. Benefits are partially indexed to inflation.

RREGOP and PPMP, which account for nearly 97% of active participants, are cost-sharing plans: the government is responsible for paying 50% of the benefits, and the participants are responsible for paying the other portion, that is, 50%.[1]

Most of the other retirement plans are cost-balance plans. The government covers the cost of these plans, net of contributions paid by participants.

Retraite Québec is responsible for administering the plans.[2]

The actuarial obligation in regard to certain retirees under the PPMP will be assumed by the government

In December 2016, the government reached an agreement with its management personnel on the renewal of their working conditions. With a view to long-term global remuneration, the government agreed to pay the pensions of retirees under the Pension Plan for Management Personnel (PPMP) as at December 31, 2014 and of their surviving spouses. This obligation, as well as the assets that these retirees had built up in the participants' fund, both of which amount to roughly $5 billion,[3] will be transferred to the government.

The assets of these retirees will be deposited in the Retirement Plans Sinking Fund (RPSF). This transfer of funds, together with the transfer of the obligation, will thus not affect the achievement of the government's objective, namely, that the book value of the sums accumulated in the RPSF be equal, in 2020, to 70% of the actuarial obligations in regard to the retirement plans of public and parapublic sector employees.

In addition, as a result of the agreement, certain changes will be made to restructure the PPMP: pension eligibility criteria will be changed, the reduction applicable in the case of early retirement will be increased, the average salary used to calculate the pension will now be that of the five best paid years and not the three best paid ones; and partial indexation of pensions will be suspended for a period of five years and will be changed thereafter.

[1] This cost-sharing formula has been in effect since July 1, 1982. Previously, the government was responsible for payment of 7/12 of the benefits (58.3%). The agreement entered into in December 2016 for the PPMP stipulates that the government will cover payments for retirees under this plan as at December 31, 2014. Participants' assets will also be transferred.

[2] Except for the PPUQ.

[3] The amounts of the actuarial obligation and transferred assets will be slightly different, but the agreement ensures that the cost to the government will not exceed $150 million.

☐ Annual retirement plans expenditure

Every year, the government records its expenditure as an employer with regard to the retirement plans. This expenditure comprises two components:

- the net cost of vested benefits, namely, the present value of retirement benefits that employees have accumulated for work performed during the year, net of contributions paid, that is, $2 268 million in 2015-2016;
- the amortization of revisions to the government's actuarial obligations arising from previous updates of actuarial valuations, for a cost of $869 million in 2015-2016.

In 2015-2016, government spending in respect of the retirement plans thus stood at $3 137 million.

TABLE E.12

Spending in respect of the retirement plans
(millions of dollars)

	2015-2016
Net cost of vested benefits	2 268
Amortization of revisions stemming from actuarial valuations	869
SPENDING IN RESPECT OF THE RETIREMENT PLANS	**3 137**

☐ Interest on the retirement plans liability

The government records an interest charge on the retirement plans liability. This stems from the fact that, historically, it decided to manage its contributions to the retirement plans of its employees internally rather than have an external fund manage them.

This reduced borrowings on financial markets and growth in the direct debt. On the other hand, the commitments in respect of the retirement plans of government employees are shown as a liability and the government must record an interest charge calculated on the value of the actuarial obligations in respect of these plans.

However, the investment income of the RPSF must be subtracted from this amount. The interest charge on the retirement plans liability is included in the government's debt service.

TABLE E.13

Interest on the retirement plans liability
(millions of dollars)

	2015-2016
Interest on the actuarial obligations relating to the retirement plans[1]	5 709
Less: Investment income of the RPSF	−2 975
INTEREST ON THE RETIREMENT PLANS LIABILITY	**2 734**

(1) Net of the income of specific funds of the plans.

3.2 Retirement Plans Sinking Fund

The Retirement Plans Sinking Fund (RPSF) is an asset that was created in 1993 for the purpose of paying the retirement benefits of public and parapublic sector employees.

As at March 31, 2017, the RPSF's book value is expected to be $64 599 million.

TABLE E.14

Change in the RPSF
(millions of dollars)

	Book value, beginning of year	Deposits	Imputed investment income	Book value, end of year
1993-1994	—	850	4	854
1994-1995	854	—	-5	849
1995-1996	849	—	74	923
1996-1997	923	—	91	1 014
1997-1998	1 095(1)	—	84	1 179
1998-1999	1 179	944	86	2 209
1999-2000	2 209	2 612	219	5 040
2000-2001	5 040	1 607	412	7 059
2001-2002	7 059	2 535	605	10 199
2002-2003	10 199	900	741	11 840
2003-2004	11 840	1 502	862	14 204
2004-2005	14 204	3 202	927	18 333
2005-2006	18 333	3 000	1 230	22 563
2006-2007	22 437(1)	3 000	1 440	26 877
2007-2008	26 877	3 000	1 887	31 764
2008-2009	31 749(2)	2 100	2 176	36 025
2009-2010	36 025	—	2 175	38 200
2010-2011	38 200	2 000	2 065	42 265
2011-2012	42 265	1 000	2 087	45 352
2012-2013	45 352	1 000	1 992	48 344
2013-2014	48 344	1 000	1 989	51 333
2014-2015	51 333	1 500	2 430	55 263
2015-2016	55 263	1 500	2 975	59 738
2016-2017	59 738	1 500	3 361	64 599

(1) These amounts take into account restatements arising from the government accounting reforms of 1997-1998 and 2006-2007.

(2) This amount takes into account an adjustment arising from consideration of the expected average remaining service life (EARSL) of participants in the PPMP.

As at March 31, 2016, the market value of the RPSF was higher than its book value.

TABLE E.15

Book value and market value of the RPSF as at March 31
(millions of dollars)

	Book value	Market value	Difference
1994-1995	849	831	18
1995-1996	923	954	−31
1996-1997	1 014	1 095	−81
1997-1998	1 179	1 321	−142
1998-1999	2 209	2 356	−147
1999-2000	5 040	5 703	−663
2000-2001	7 059	7 052	7
2001-2002	10 199	9 522	677
2002-2003	11 840	9 240	2 600
2003-2004	14 204	12 886	1 318
2004-2005	18 333	17 362	971
2005-2006	22 563	23 042	−479
2006-2007	26 877	28 859	−1 982
2007-2008	31 764	32 024	−260
2008-2009	36 025	25 535	10 490
2009-2010	38 200	29 559	8 641
2010-2011	42 265	35 427	6 838
2011-2012	45 352	38 222	7 130
2012-2013	48 344	42 562	5 782
2013-2014	51 333	49 034	2 299
2014-2015	55 263	57 432	−2 169
2015-2016	59 738	60 084	−346

A decline in debt service

Deposits in the RPSF entail a reduction in the government's debt service. Indeed, the rates of return on funds managed by the Caisse de dépôt et placement du Québec are generally higher than interest rates on Québec government bonds issued to finance deposits in the RPSF. Therefore, the income of the RPSF, which is applied against the government's debt service, is usually higher than the additional interest charge that arises from new borrowings. This leads to a net decrease in the government's debt service.

Since the RPSF was created, the return obtained by the Caisse has been higher than the cost of new borrowings by the government 18 years out of 23.

TABLE E.16

Comparison of the RPSF's annual return and the Québec government's borrowing costs

(per cent, on a calendar year basis)

	Return of the RPSF	Cost of new borrowings[1]	Difference (percentage points)
1994	−3.3[2]	9.2	−12.5
1995	17.0	8.9	8.1
1996	16.1	7.7	8.4
1997	13.4	6.5	6.9
1998	10.4	5.8	4.6
1999	15.3	6.0	9.3
2000	7.2	6.5	0.7
2001	−4.7	6.1	−10.8
2002	−8.5	5.8	−14.3
2003	14.9	5.2	9.7
2004	11.4	5.0	6.4
2005	13.5	4.5	9.0
2006	13.5	4.6	8.9
2007	5.2	4.7	0.5
2008	−25.6	4.5	−30.1
2009	10.7	4.4	6.3
2010	13.4	4.1	9.3
2011	3.5	3.7	−0.2
2012	9.4	3.0	6.4
2013	12.6	3.3	9.3
2014	11.9	3.2	8.7
2015	8.3	2.4	5.9
2016	7.8	2.2	5.6

(1) The government's borrowing costs correspond to the yield on 10-year maturity Québec bonds.
(2) From February to December 1994.
Source: PC-Bond for the yield on 10-year maturity Québec bonds.

A flexible deposit policy

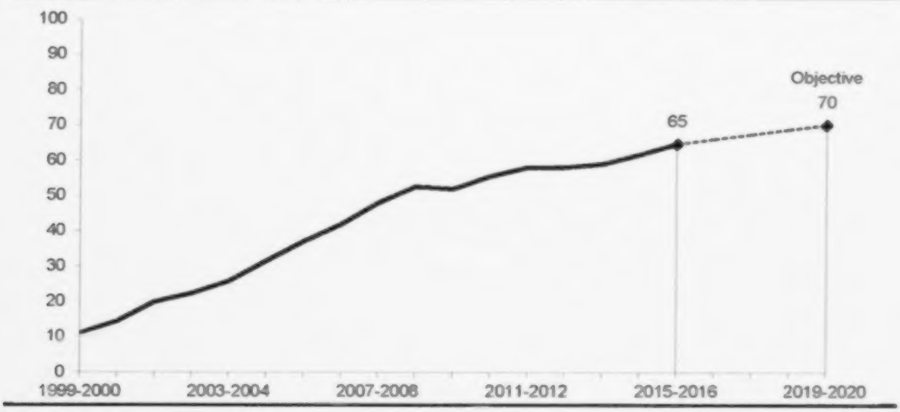
In December 1999, as part of the agreement concluded for the renewal of its employees' collective agreements, the government set the objective that the book value of the amounts accumulated in the RPSF would be equal, in 2020, to 70% of its actuarial obligations in regard to the retirement plans of public and parapublic sector employees.

However, the government has all the necessary flexibility in applying this policy. Deposits in the RPSF are made only when market conditions are favourable, particularly with respect to interest rates and market receptiveness to bond issues.

As at March 31, 2016, the RPSF's book value represented 65% of the government's actuarial obligations in regard to the retirement plans of public and parapublic sector employees.

CHART E.16

Book value of the RPSF in proportion to the government's actuarial obligations regarding the retirement plans of public and parapublic sector employees
(per cent)



3.3 Generations Fund

The following table shows the book and market values of the Generations Fund since its creation. As at March 31, 2016, the market value of the Generations Fund was higher than its book value.

TABLE E.17

Book value and market value of the Generations Fund as at March 31
(millions of dollars)

	Book value	Market value	Difference
2006-2007	584	576	8
2007-2008	1 233	1 147	86
2008-2009	1 952	1 598	354
2009-2010	2 677	2 556	121
2010-2011	3 437	3 524	–87
2011-2012	4 277	4 375	–98
2012-2013	5 238	5 550	–312
2013-2014	5 659	6 299	–640
2014-2015	6 938	8 182	–1 244
2015-2016	8 522	9 562	–1 040

Since the first deposit was made in the Generations Fund in January 2007, the return has been higher than the cost of new borrowings by the government nine years out of ten.

TABLE E.18

Comparison of the Generations Fund's annual return and the Québec government's borrowing costs
(per cent, on a calendar year basis)

	Return of the Generations Fund	Cost of new borrowings[1]	Difference (percentage points)
2007	5.6	4.7	0.9
2008	–22.4	4.5	–26.9
2009	11.3	4.4	6.9
2010	12.3	4.1	8.2
2011	4.0	3.7	0.3
2012	8.4	3.0	5.4
2013	12.0	3.3	8.7
2014	11.7	3.2	8.5
2015	8.1	2.4	5.7
2016	7.3	2.2	5.1

(1) The government's borrowing costs correspond to the yield on 10-year maturity Québec bonds.
Source: PC-Bond for the yield on 10-year maturity Québec bonds.

3.4 Returns on funds deposited by the Ministère des Finances with the Caisse de dépôt et placement du Québec

Funds deposited by the Ministère des Finances with the Caisse de dépôt et placement du Québec (the RPSF, the Generations Fund and the Accumulated Sick Leave Fund) are managed in accordance with an investment policy established by the Ministère des Finances in cooperation with the Caisse.

This investment policy is established taking several factors into account, including 10-year return, standard deviation and correlation forecasts for various categories of assets, opportunities for investing in these assets and recommendations of the Caisse.

In 2016, the return on funds deposited by the Ministère des Finances with the Caisse de dépôt et placement du Québec was 7.83% for the RPSF, 7.33% for the Generations Fund and 7.79% for the Accumulated Sick Leave Fund. The investment policy of these funds is presented in the box on page E.48.

TABLE E.19

Market value and return in 2016 on funds deposited with the Caisse de dépôt et placement du Québec by the Ministère des Finances

	Return	Market value as at December 31, 2016
	(%)	($ million)
Retirement Plans Sinking Fund (RPSF)	7.83	65 422
Generations Fund	7.33	11 211
Accumulated Sick Leave Fund (ASLF)	7.79	1 095

3.4.1 Retirement Plans Sinking Fund

The RPSF posted a return of 7.83% in 2016. Its market value was $65 422 million as at December 31, 2016.

The investment policy of the RPSF consists of 33.5% fixed-income securities (bonds, real estate debt, etc.), 18.0% inflation-sensitive investments (real estate and infrastructure) and 48.5% equities.

TABLE E.20

Investment policy of the RPSF as at January 1, 2017
(per cent)

	Benchmark portfolio of the RPSF	Average benchmark portfolio of depositors as a whole[1]
Fixed-income securities	33.5	34.2
Inflation-sensitive investments	18.0	17.5
Equities	48.5	48.3
TOTAL	**100.0**	**100.0**

(1) Data as at December 31, 2015 drawn from *Annual Report 2015* of the Caisse de dépôt et placement du Québec.

With its investment policy, the RPSF should generate an annual return 6.35%. It is important to note that the RPSF's investment policy is based on a long-term horizon and constitutes the benchmark portfolio for the Caisse. However, through active management, the Caisse adjusts the allocation of the RPSF's assets, particularly to take fluctuations in the economic and financial situation into account.

3.4.2 Generations Fund

The Generations Fund posted a return of 7.33% in 2016. Its market value was $11 211 million as at December 31, 2016.

The investment policy of the Generations Fund consists of 38.5% fixed-income securities (bonds, real estate debt, etc.), 16.0% inflation-sensitive investments (real estate and infrastructure) and 45.5% equities.

TABLE E.21

Investment policy of the Generations Fund as at January 1, 2017
(per cent)

	Benchmark portfolio of the Generations Fund	Average benchmark portfolio of depositors as a whole(1)
Fixed-income securities	38.5	34.2
Inflation-sensitive investments	16.0	17.5
Equities	45.5	48.3
TOTAL	**100.0**	**100.0**

(1) Data as at December 31, 2015 drawn from *Annual Report 2015* of the Caisse de dépôt et placement du Québec.

3.4.3 Accumulated Sick Leave Fund

The Accumulated Sick Leave Fund (ASLF) posted a return of 7.79% in 2016. Its market value was $1 095 million as at December 31, 2016.

The assets of the ASLF are managed by the Caisse in accordance with an investment policy established by the Ministère des Finances in cooperation with the Caisse. The ASLF's investment policy is identical to that of the RPSF.[4]

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[4] The difference in relation to the return of the RPSF in 2016 (7.83% for the RPSF compared with 7.79% for the ASLF) is due to asset allocation adjustments made by the Caisse.

Comparison of investment policies

Investment policies as at January 1, 2017
(per cent)

Specialized portfolios	RPSF and ASLF	Generations Fund	Average benchmark portfolio of depositors as a whole[1]
Short-Term Investments	1.0	1.0	1.1
Bonds and Real Estate Debt	32.5	37.5	32.1
Long-Term Bonds	0.0	0.0	1.0
Total – Fixed income	**33.5**	**38.5**	**34.2**
Real Return Bonds	0.0	0.0	0.4
Infrastructure	6.5	6.0	5.4
Real Estate	11.5	10.0	11.7
Total – Inflation-Sensitive Investments	**18.0**	**16.0**	**17.5**
Public Equity	35.5	34.5	36.9
Private Equity	13.0	11.0	11.4
Total – Equity	**48.5**	**45.5**	**48.3**
TOTAL	**100.0**	**100.0**	**100.0**

RPSF: Retirement Plans Sinking Fund.
ASLF: Accumulated Sick Leave Fund.
(1) Data as at December 31, 2015 drawn from *Annual Report 2015* of the Caisse de dépôt et placement du Québec.

4. CREDIT RATINGS

4.1 The Québec government's credit ratings

A borrower's credit rating measures its capacity to pay the interest on its debt and repay the principal at maturity. To establish the credit rating of a borrower like the Québec government, credit rating agencies analyze a series of factors. Among the main factors are the size, structure and vitality of the economy, the situation on the labour market, fiscal competitiveness and the budgetary situation, as well as debt and liquidity levels.

To express the quality of a borrower's credit, credit rating agencies use rating scales, namely, a scale for long-term debt and a scale for short-term debt.

The following table shows the rating scales used by rating agencies for long-term debt. The higher the credit quality, the higher will be the rating on the scale. This means, for example, that a borrower rated "AA" presents a lower credit risk than a borrower rated "A".

The Québec government's current credit ratings are shown in the boxes. They differ from one credit rating agency to another because of the methodology used by each agency to determine credit risk.

TABLE E.22

Credit rating scales for long-term debt

	Moody's	Standard & Poor's	Fitch	DBRS	Japan Credit Rating Agency
Highest credit quality ↑	Aaa	AAA	AAA	AAA	AAA
	Aa1	AA+	AA+	AA (high)	AA+
	Aa2	AA	AA	AA	AA
	Aa3	AA−	AA−	AA (low)	AA−
	A1	A+	A+	A (high)	A+
	A2	A	A	A	A
	A3	A−	A−	A (low)	A−
	Baa1	BBB+	BBB+	BBB (high)	BBB+
	Baa2	BBB	BBB	BBB	BBB
	Baa3	BBB−	BBB−	BBB (low)	BBB−
	Ba1	BB+	BB+	BB (high)	BB+
	Ba2	BB	BB	BB	BB
	Ba3	BB−	BB−	BB (low)	BB−
	B1	B+	B+	B (high)	B+
	B2	B	B	B	B
	B3	B−	B−	B (low)	B−

Credit rating agencies add an "outlook" to the rating that indicates the trend the credit rating may follow in the future. The outlook may be positive, stable or negative. In the case of Québec, two changes occurred in this regard in June 2016.

First, Standard & Poor's (S&P) improved the outlook related to Québec's credit rating, by raising it from "stable" to "positive". In its report, S&P explained that this improvement stemmed from the fact that Québec had returned to a balanced budget through responsible management of spending. S&P also underscored the strength of the Québec economy, which includes major sectors such as aerospace, transport, telecommunications and aluminium production.

Second, Fitch also improved the outlook related to Québec's credit rating, by raising it from "negative" to "stable" due to the return to a balanced budget. Fitch had lowered this outlook in December 2013, following the postponement of a balanced budget to 2015-2016, announced in November 2013.

Moody's, DBRS and Japan Credit Rating Agency (JCR) assign a stable outlook to Québec's credit rating.

TABLE E.23

The Québec government's credit ratings

Credit rating agency	Credit rating	Outlook in 2015	→	Outlook in 2016
Moody's	Aa2	Stable		Stable
Standard & Poor's (S&P)	A+	Stable		Positive
Fitch	AA–	Negative		Stable
DBRS	A (high)	Stable		Stable
Japan Credit Rating Agency (JCR)	AA+	Stable		Stable

The following table shows the rating scales used by rating agencies for short-term debt. The higher the credit quality, the higher will be the rating on the scale. The Québec government's current credit ratings are shown in the boxes.

TABLE E.24

Credit rating scales for short-term debt(1)

	Moody's	Standard & Poor's	Fitch	DBRS
Highest credit quality ↑	$\boxed{\text{P-1}}$	$\boxed{\text{A-1+}}$	$\boxed{\text{F1+}}$	R-1 (high)
				$\boxed{\text{R-1 (middle)}}$
		A-1	F1	R-1 (low)
	P-2	A-2	F2	R-2 (high)
	P-3	A-3	F3	R-2 (middle)
				R-2 (low)
				R-3
	Not Prime(2)	B-1	B	R-4
		B-2	C	R-5
		B-3		
		C		
	Not Prime(2)	D	D	D

(1) JCR does not assign a credit rating to Québec's short-term debt.

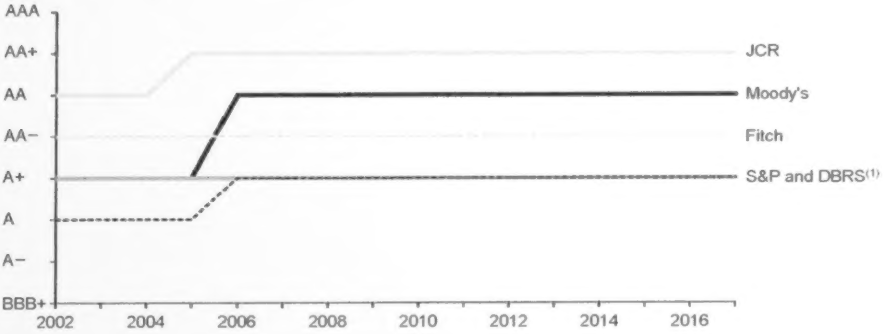
(2) Moody's uses the "Not Prime" category for all securities not included in the upper categories.

☐ Change in Québec's credit ratings

The following chart shows the change in Québec's credit ratings since 2002. The most recent increases in Québec's credit rating date back to 2006 (Moody's and DBRS raised Québec's credit rating), while the last time Québec's credit rating was lowered was in 1996 (DBRS lowered Québec's credit rating).

CHART E.17

Change in Québec's credit ratings



(1) Dotted line.

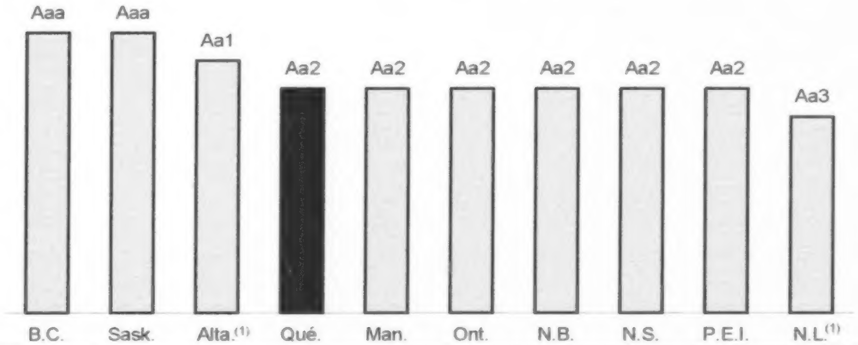
Note: The credit ratings for 2017 are those in effect as at March 13, 2017.

4.2 Comparison of the credit ratings of the Canadian provinces

The following charts show the credit ratings of the Canadian provinces as at March 13, 2017. No chart is given for JCR since Québec is the only province that receives a credit rating from that agency.

CHART E.18

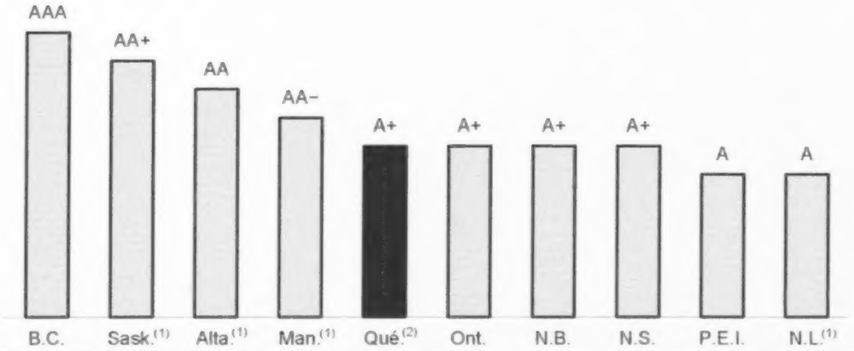
Credit rating of the Canadian provinces – Moody's



(1) Negative outlook.

CHART E.19

Credit rating of the Canadian provinces – Standard & Poor's



(1) Negative outlook.
(2) Positive outlook.

CHART E.20

Credit rating of the Canadian provinces – DBRS

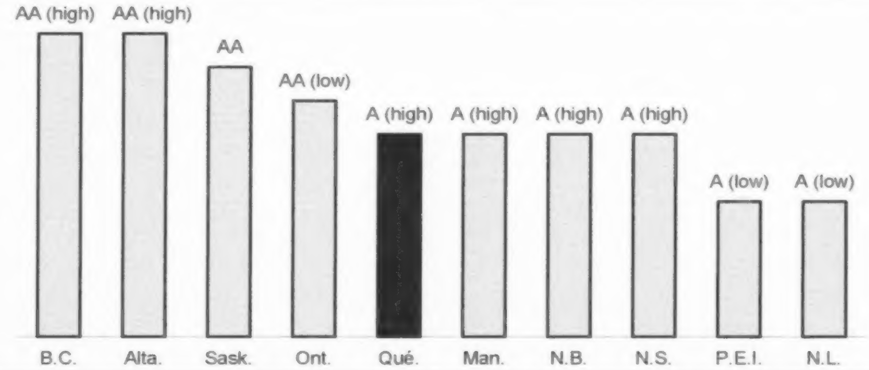
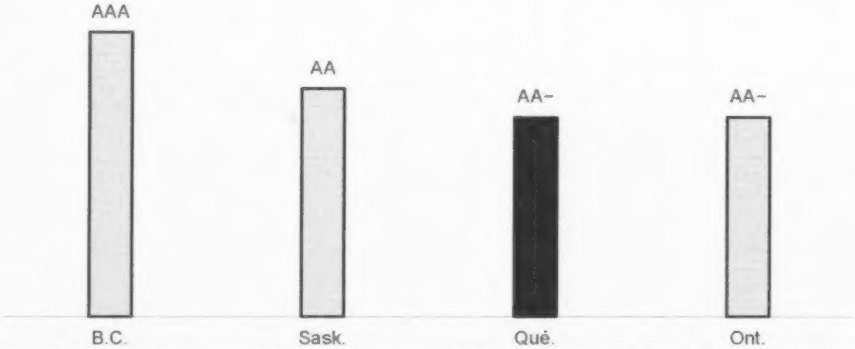


CHART E.21

Credit rating of the Canadian provinces – Fitch



Note: British Columbia, Saskatchewan, Québec and Ontario are the only provinces that receive credit ratings from this agency.

Section F

UPDATE ON FEDERAL TRANSFERS

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- 1.2 Substantial shortfalls F.7
- 1.3 Financial pressures intensifying over time F.8
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INTRODUCTION

Despite tight control of health spending, the provinces are faced with increasing pressures that will only increase due, in particular, to population aging.

At the same time, the federal government is scaling back its commitment in terms of funding health care. As a result, its share in provincial health spending will only decrease over time.

— Québec is reiterating to the federal government that it must assume a fair share of provincial health spending representing 25% of such spending, a share similar to the one at the beginning of the 1980s.[1]

Moreover, the provinces must also continue their investments in social programs, particularly in post-secondary education and social assistance.

— Québec is reiterating its request to have the Canada Social Transfer gradually be restored to its 1994-1995 level, taking into account inflation.

Concerning federal infrastructure programs, Québec responded favourably to the announcement of the federal plan in two phases to support economic growth. However, in order to maximize the effect of these investments on the economy, Québec is proposing adjustments, in particular to reflect its priority sectors for investment and its accountability practices that it already applies to infrastructure spending.

Finally, the present section points out the shortcomings of the equalization program, in addition to reiterating the request for fair treatment of Hydro-Québec dividends in the equalization formula.

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[1] For further information on Québec's position with respect to federal health funding, refer to the budget paper dealing with that subject.

1. FOR AN ADEQUATE FEDERAL CONTRIBUTION FOR HEALTH AND SOCIAL SERVICES

Last December, the federal government decided to maintain the Conservative government's decision to reduce by half annual growth in the Canada Health Transfer (CHT). It also proposed $11 billion in targeted funds outside the CHT.

On March 10, 2017, the federal government and Québec reached an agreement on health funding which, although it enables Québec to obtain additional funds, is insufficient to ensure the long-term viability of its health system. This is why Québec is still asking the federal government to assume a fair share of provincial health spending, a share the represent 25% of such expenses, and to maintain it over time.

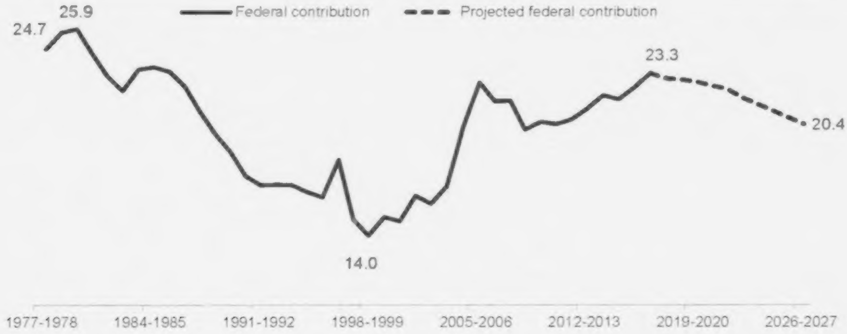
For social programs, Québec is reiterating its request to narrow the funding shortfall in the Canada Social Transfer (CST) sufficiently to restore it to its 1994-1995 level, taking into account inflation.

1.1 An inadequate share of federal health funding

As of the 1980s, the federal funding share, which represented 25% of provincial health spending, plummeted, reaching a historic low of 14.0% in 1998-1999.

CHART F.1

Share of federal funding in provincial health spending, 1977-1978 to 2026-2027
(per cent)



Sources: Canadian Institute for Health Information, Conference Board of Canada, Department of Finance Canada and Ministère des Finances du Québec.

— This historic low stemmed essentially from a one–third decrease in health transfers between 1995-1996 and 1998-1999, for the purpose of balancing the federal budget.

Today, the CHT has still not been restored to a share of 25% of provincial health spending. Its share amounts to 23.3% in 2016-2017.

— With CHT growth corresponding to that of Canada's nominal GDP, including a 3% floor, as well as targeted funds of $11 billion, the federal contribution to provincial health spending will gradually decline over the the next ten years, reaching 20.4% in 2026-2027.

For the contribution to provincial health spending to be fair and thus maintain the sustainability of the provinces' health systems, federal health funding must grow at a rate of 5.2% per year, not at the rate of Canada's nominal GDP, which is evaluated at an average of 3.6% (3.8%, including the targeted funds) per year over ten years as of 2017-2018.

In the long term, 5.2% annual growth in health spending

Growth in provincial health spending slowed after the 2009 recession, due in part to the provinces' considerable efforts to restore fiscal balance. It should be borne in mind that, during the ten years before the recession, health spending grew significantly.

- Growth in provincial health spending, which averaged 7.1% a year from 2000-2001 to 2009-2010, fell to 3.4% from 2009-2010 to 2014-2015, for average annual growth of 5.8% from 2000-2001 to 2014-2015.

As estimated by the CBoC in 2016 on behalf of the Council of the Federation, the average annual growth in provincial and territorial health spending will be 5.2% over a 20-year period, from 2015 to 2035. This estimate is based on the following four factors, which are incompressible for the most part:

- inflation in the health care sector (2.4%);
- effect of the aging of the population (1.0%);
- population growth (0.9%); and
- increased access to care and ongoing systems improvements (0.9%).

3% growth per year in incompressible expenditures

According to the Ministère de la Santé et des Services sociaux, health inflation corresponds to 3% average annual growth in Québec and is composed of the infrastructure debt, the public share of employee retirement funds, the increase in pay scales, and pay raises.

... not taking into account the additional pressures associated with the new technologies

Furthermore, instead of resulting in savings, scientific advances regarding new technologies and new drugs lead to higher health costs, because of increased demand spurred by lower prices or the novelty of a treatment.

1.2 Substantial shortfalls

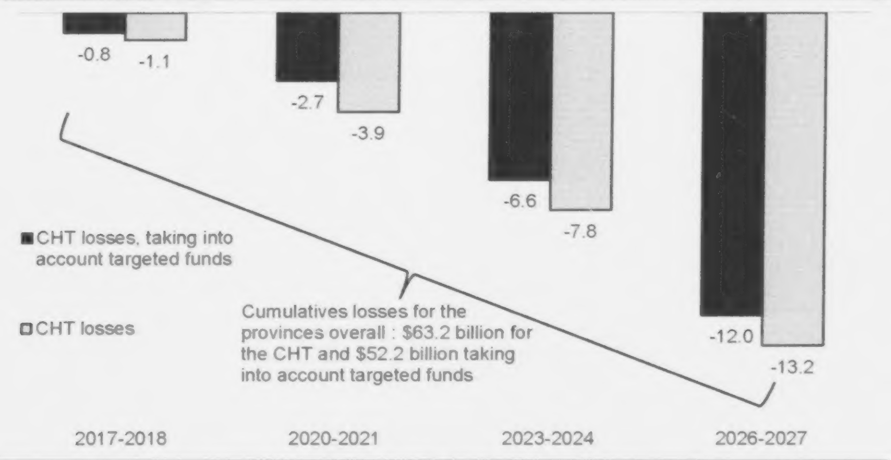
Starting in 2017-2018, annual CHT growth will correspond to that of Canada's nominal GDP, subject to a 3% floor. Consequently, on April 1, 2017, the rate of annual growth of the CHT envelope will decline by half, from 6% to 3%, in a context of population aging that, in Québec, is occurring at a rate faster than the provincial average.

- For 2017-2018 alone, the provinces' financial loss is evaluated at $1.1 billion and, taking into account the targeted funds, stands at $800 million.
  - For Québec, these losses are $250 million and $180 million, respectively.
- The losses over ten years are estimated at $63.2 billion for Canada as a whole. With additional federal funding of $11 billion in non CHT targeted funds, the losses will reach $52.2 billion by 2026-2027.
  - For Québec, these losses are $14.2 billion and $11.7 billion, respectively.

These losses will result in an equivalent savings for the federal government.

CHART F.2

Impact of the decline in annual growth in the Canada Health Transfer (CHT) from 6% to Canada's nominal GDP and a floor of 3%
(billions of dollars)



Sources: Department of Finance Canada and Ministère des Finances du Québec.

1.3 Financial pressures intensifying over time

The longer life expectancy of Canadians and the gradual onset of retirement for numerous baby boomers entail many challenges for public finances, particularly in the health sector.

— Since the signing of the 2004 health accord, which provided for a CHT escalator of 6% per year, the share of persons aged 65 and over in Canada has risen from 12.9% to 16.9% in 2017, an increase of four percentage points over the past 13 years. The increase in Québec is more than five percentage points (from 13.4% to 18.5%) for the same period.

— While the CHT escalator will be cut in half, the share of the Canadian population aged 65 and over is expected to be 22.8% (25.0% in Québec) in 2030, which is a bigger increase (almost six percentage points in Canada and Québec) than that over the past 13 years.

— The ratio of the number of persons of working age (15 to 64 years) to the number of seniors (65 years and over) in Canada is in steep decline. Standing at 5.3 in 2004, it subsequently fell gradually, reaching 4.0 in 2017. Because of population aging, it is expected that there will be only 2.7 persons of working age (2.4 in Québec) for every person aged 65 and over in 2030 in Canada.

The reduction of CHT growth as of 2017-2018 will occur at the very moment that population aging accelerates. These two factors combined will permanently increase financial pressures on the provinces.

A substantial reinvestment in health

In the wake of the Romanow report published in 2002,[1] the federal government negotiated a long-term health accord with the provinces and an asymmetrical agreement with Québec. These agreements gradually restored, over a ten-year period, a federal financial contribution to health care that could better support the sustainability of Canada's health systems.

- Under the 2004 health accord, the provinces received additional funding of $41.3 billion over ten years (including $9.5 billion for Québec), representing an average annual increase of 8.9% for Canada as a whole.

Thanks to this asymmetrical agreement, Québec applied its own plan, in particular respecting the reduction of wait times, and reported to Quebecers, while receiving the planned funding.

(1) COMMISSION ON THE FUTURE OF HEALTH CARE IN CANADA, *Building on Values; The Future of Health Care in Canada*, [Report], November 28, 2002, in Publications, on the Government of Canada site, www.publications.gc.ca.

1.4 Funding that is still insufficient over the long term

On March 10, 2017, the federal government and Québec entered into a health funding agreement that includes:

- annual CHT growth corresponding to that of Canada's nominal GDP, with a 3% floor, for a ten-year period as of 2017-2018;
- an asymmetrical agreement of nearly $2.5 billion corresponding to Québec's demographic share of the non–CHT targeted funds of $11 billion for the period from 2017-2018 to 2026-2027, enabling Québec to implement its own priorities, including mental health and home care.

Under this agreement, Québec will obtain an average annual increase in federal health funding of 4.1% over the first five years and 3.1% over the next five years, for an average annual increase of 3.6% over ten years.

- Québec considers this agreement insufficient in the long term because of the forecasts of 5.2% health cost growth a year from 2015 to 2035. It cannot be a long-term solution for funding Québec's health system.
- The federal government must acknowledge its responsibility with respect to health funding and then assume its fair share. Moreover, this responsibility flows from the services prescribed in its own statute, the *Canada Health Act*.

TABLE F.1

Additional funds paid to Québec further to the March 10, 2017 agreement
(millions of dollars)

	2017-2018	2018-2019	Total over ten years
Targeted funds	69	194	2 484
Early childhood component (social infrastructures)	88	88	1 222 (1)
Training specialized nurse practitioners	25	—	25
TOTAL	**182**	**282**	**3 731**

(1) This amount will be paid over eleven years, from 2017-2018 to 2027-2028.
Sources: Department of Finance Canada and Ministère des Finances du Québec.

In addition, Québec obtained from the federal government, for 2017-2018, a $25-million envelope to train specialized nurse practitioners.

The health agreement with the federal government is also based on a new recognition and a strengthening of the principle of asymmetry concluded in 2004, as it provides for the use of $1.2 billion over 11 years from the childcare component of the new federal social infrastructure funds announced in the recent federal budget. Québec has had a daycare network since 1997, and it alone funds the network's development. The Québec government obtained from the federal government the ability to use part of the amounts set aside for infrastructure development to finance its priorities.

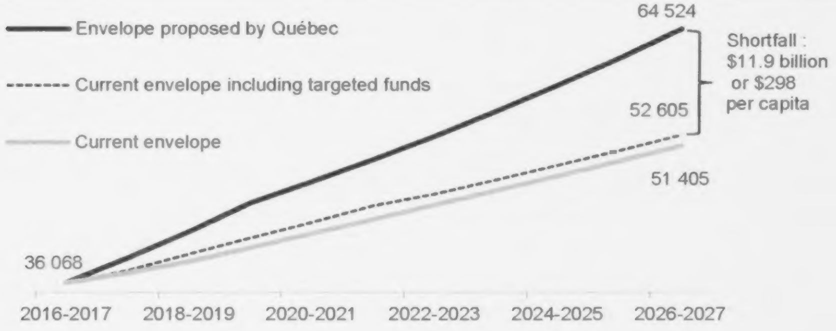
1.5 For a fair share of federal health funding

To help ensure the sustainability of Canada's health systems, Québec is asking the federal government to assume its fair share of funding by gradually raising the CHT to a level representing 25% of provincial health spending, and to subsequently maintain that share.

- For example, to reach a contribution of 25% by 2019-2020, the federal government would have to offer additional funding of $4.8 billion through the CHT. Subsequently, the CHT envelope would grow at the annual growth rate of provincial health spending estimated by the CBoC–5.2%.
- Under this proposal, the CHT envelope would reach $64.5 billion, rather than $51.4 billion, in 2026-2027, providing additional funding of $13.1 billion compared to a CHT envelope that would increase according to Canada's nominal GDP growth, subject to a 3% floor.
  - Considering the targeted funds of $11 billion intended to the provinces, the CHT envelope would reach $52.6 billion in 2026-2027. Additional funding of $11.9 billion–$298 per capita–in 2026-2027 would therefore be required for the CHT envelope to represent 25% of provincial health spending.

CHART F.3

Gradual return of the Canada Health Transfer representing 25% of provincial health spending, 2016-2017 to 2026-2027
(millions of dollars)



Sources: Conference Board of Canada, Canadian Institute for Health Information, Department of Finance Canada and Ministère des Finances du Québec.

Principles of the *Canada Health Act*

In accordance with the *Canada Health Act*, introduced in 1984, the provinces are required to adhere to five principles under their public health care insurance plans in order to qualify for all federal contributions paid through the Canada Health Transfer.

- **Accessibility**: Insured persons must have reasonable and uniform access to insured health services and not encounter any financial or other barriers.
- **Public administration**: Each provincial health care insurance plan must be administered by a non-profit public authority that must report to the provincial government on its financial transactions.
- **Comprehensiveness**: The health care insurance plan of a province must cover all medically necessary services, i.e. hospital care, medical services and required surgical-dental procedures that can be performed only in a hospital.
- **Portability**: The provinces are required to cover the insured health services that are provided to their citizens when they are temporarily absent from their province of residence or Canada.
- **Universality**: All residents of a province must have access to public health care insurance and insured services on uniform terms and conditions.

For more than 30 years, the provinces have been faced with demographics that have undergone significant change due primarily to the acceleration of population aging, and to changes in technology and health care delivery methods. Yet, the provinces have but little room to manœuvre for finding innovative ways of funding of their health expenditures.

1.6 Upgrading federal funding for social programs

In addition to ensuring adequate funding for their health systems, the provinces must continue to invest in the sectors of education and social programs. Yet the share of federal funding in these sectors is also declining.

— The projected level of the Canada Social Transfer (CST), which funds a part of provincial spending devoted to post-secondary education, social assistance and social services, lost 16% of its value in 2016-2017 compared to 1994-1995, taking into account inflation.

The substantial 33% reduction in the federal government's transfers for social programs in the mid–1990s is responsible for the fact that the current annual 3% growth in the CST is still inadequate to raise the level of federal spending to that observed before those reductions, taking into account inflation. As noted in a study published in 2015 by the Université de Sherbrooke's Research Chair in Taxation and Public Finance, this reduction in federal funding has resulted in a decline in the CST's share of total provincial spending for education and social services:

> ... the CST's share represented 17.1% of total provincial spending for education and social services in 1994-1995, whereas it represented only 10.5% in 2015-2016 ... and

> will continue its decline, to 9.5% of education and social services spending by 2034-2035.[2] [TRANSLATION]

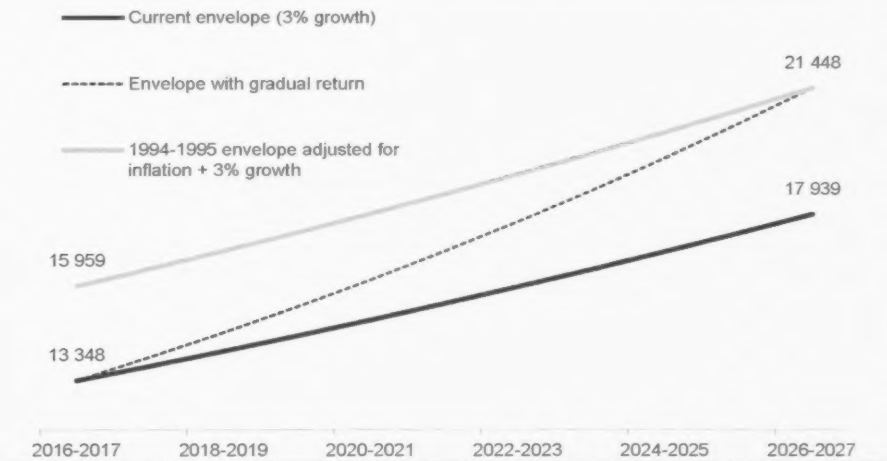
Thus, just as for health spending, spending for social programs must be shared more fairly to ensure adequate funding in these areas.

Québec is therefore asking the federal government to restore its funding, taking into account the rise in the cost of living, to the level prevailing in 1994-1995. This would represent an increase of more than $2.6 billion in the envelope beginning 2016-2017. Québec is proposing to make up the shortfall gradually over a period of ten years.

— Thus the gradual elimination of the funding shortfall would entail an increase in the Canadian envelope of some $248 million in 2017-2018 and $3.5 billion in 2026-2027. Prorated based on the population of each province, this increase would result in an additional $57 million for Québec in 2017-2018 and $784 million over the long range.

CHART F.4

Gradual return of the Canada Social Transfer to its 1994-1995 level taking into account inflation, 2016-2017 to 2026-2027
(millions of dollars)



Sources: Department of Finance Canada and Ministère des Finances du Québec.

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[2] RESEARCH CHAIR IN TAXATION AND PUBLIC FINANCE, *Les transferts fédéraux : évolution et perspectives pour le Québec*, Université de Sherbrooke, October 27, 2015, p. 17.

2. FOR A MORE EFFECTIVE FEDERAL INFRASTRUCTURE PROGRAMS

Québec responded favourably to the infrastructure investment plan in two phases announced in 2015 and 2016 by the federal government to encourage economic growth.

- These new funds meet a demand by Québec to obtain predictable and stable funding for better long-term planning of infrastructure investments.

Moreover, Québec wishes to express certain concerns and expects the federal government to make adjustments to its infrastructure programs in order to more rapidly achieve the shared objective of stimulating the country's economic growth.

2.1 Short-term problems to be solved

There are still certain problems in respect of the Building Canada Plan (BCP) 2014-2024 and the first phase of the federal infrastructure plan for which Québec is asking for short-term solutions.

2.1.1 Acceleration of the Building Canada Plan 2014-2024

Under the framework of the BPC 2014-2024 announced in 2014 by the previous federal government, Québec and the federal government finalized most of the agreements that will allow Québec to receive nearly $7.2 billion for the 2014-2024 period, thus contributing to accelerate completion of numerous infrastructure projects throughout Québec.

However, under the national and regional projects program, the federal government must confirm funding for certain Québec projects submitted in spring 2015.

Québec is asking the federal government to rely more fully on the project studies already conducted and confirm funding for the projects submitted so that they can begin in the upcoming construction season.

TABLE F.2

Sums reserved for Québec under the Building Canada Plan, 2014-2015 to 2023-2024
(millions of dollars)

	Canada	Québec	Agreement signing date
Gas Tax Fund	**21 800**	**4 995**	June 23, 2014
Building Canada Fund			
Provincial-Territorial Infrastructure Component	**10 000** (1)	**1 770**	
National and Regional Projects Fund	8 678	1 593	June 3, 2016
Small Communities Fund	964	177	May 22, 2015
National Infrastructure Component	**4 000** (2)	**390**	June 3, 2016
P3 Canada Fund	**1 250**	—	—
TOTAL	**37 050**	**7 155**	

(1) A sum of $357.6 million from the Provincial-Territorial Infrastructure Component and a sum of $137.8 million from the National Infrastructure Component will be used by the federal government as management fees.
(2) The federal government suspended application of this program without specifying the sums that will continue to be used for this component.
Sources: Infrastructure Canada and Ministère des Finances du Québec.

2.1.2 More realistic lead times for programs in phase 1 of the federal infrastructure program

In its 2016 budget, the federal government announced $11.9 billion in funding over five years for phase 1 of its infrastructure plan, which was supplemented by $2.5 billion in additional investments for post-secondary infrastructures and broad-band projects.

— In this first phase, Québec could receive approximately $2.7 billion for the 2016-2017 to 2020-2021 period.

— Québec rapidly signed satisfactory agreements with the federal government.

According to federal requirements, the majority of the projects must be carried out during the first two years: 2016-2017 and 2017-2018. This does not allow a great deal of lead time, given the stages involved in planning an infrastructure project and the Canadian climate, which limits the construction season.

— Under various agreements, expenses are eligible if they incurred by the recipients up to March 31, 2018. This condition, imposed by the federal government, could compromise the completion of a number of projects, in particular those involving public transit and post-secondary establishments.

Consequently, Québec is asking the federal government to extend the deadline for incurring eligible expenses for all phase 1 programs by one year, until March 31, 2019; otherwise, many projects might be jeopardized.

TABLE F.3

Estimated sums for Québec under phase 1 of the federal infrastructure plan, 2016-2017 to 2020-2021
(millions of dollars)

	Canada	Québec	Signing date of the agreement
Public transit	**3 400**	**924**	June 29, 2016
Social infrastructure	**2 223**	**474**	
Affordable housing	1 481	286	December 15, 2016
Combatting homelessness	112	17	July 13, 2016
Others	630	171 (1)	—
Green infrastructure(2)	**2 768**	**446**	
Funds for drinking water and waste water treatment	2 000	364	June 29, 2016
Others	768	82 (3)	—
Funds for the First Nations	**3 461**	**382** (4)	n.a. (5)
Subtotal for phase 1	*11 852*	2 226	
Post-secondary infrastructure	**2 000**	**386**	November 23, 2016
Broad-band infrastructure	**500**	**115**	In negotiation
TOTAL	**14 352**	**2 727**	

(1) In the absence of reserved sums, based on Québec's demographic share.

(2) Does not take into account a sum of $47 million for Canada overall planned for 2021-2022 to 2023-2024 for green infrastructure and announced in the federal government's fall 2016 economic statement.

(3) Québec's share corresponds to its demographic share of the envelope after deduction of the funds reserved for the following projects designated by the federal government: the Lake Manitoba and Lake St. Martin Outlet Channels Project ($236 million) and the Lions Gate Waste Water Treatment Plant ($178 million).

(4) Québec's share of Aboriginal communities in Canada, which is 10.1% according to the 2011 National Household Survey by Statistics Canada, was allocated following deduction of the $50 million investment announced to support housing in northern and Inuit communities in Nunavik.

(5) Projects stemming from funds reserved for First Nations are negotiated by the First Nations with the federal government and not with the provinces.

Sources: Infrastructure Canada and Ministère des Finances du Québec.

2.1.3 A transfer from older funds that respects the provinces' priorities

The federal government is preparing to realize its objective of transferring unspent sums from older infrastructure funds to municipalities by means of modifications to agreements relating to the Gas Tax Fund (GTF). The sums in question would total $30 million for Canada overall.

— This sum would come from older funds allocated to projects on a "merit" basis, and as such, they are funds not reserved to any province in particular, which is fair.

— This sum would also come from funds allocated on a prorated basis according to each province's population, and as such, they are funds reserved to the provinces. Consequently, the federal government should carry over these unused funds to make them available to the provinces and obtain their agreement in order to transfer all or part of the funds by modifying GTF agreements.

  — For the remaining funds, if any, the provinces should be able to submit projects under the framework of other existing agreements.

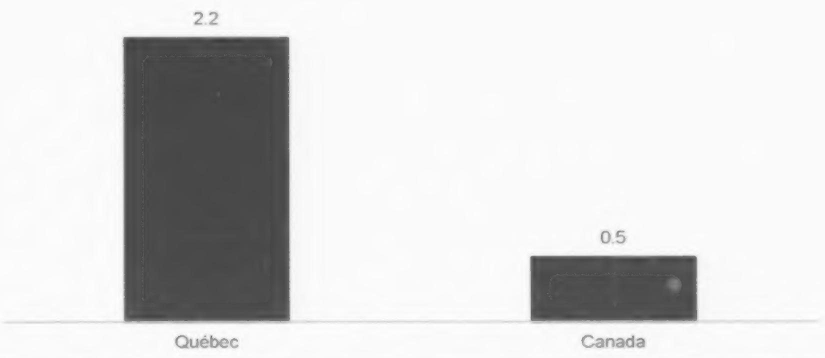
Québec will spend almost four times more than what is planned by the federal government on infrastructure, in proportion to its economy

Federal infrastructure spending is a top--up that comes in addition to Québec's already planned investments of $91.1 billion under the Québec Infrastructure Plan 2017-2027.

- The federal government plans to spend $109.5 billion[1] on infrastructure in Canada over ten years. With a nominal GDP that will reach $2 134 billion in 2017-2018, this spending represents roughly 0.5% of Canada's nominal GDP.
- Québec plans to spend $91.1 billion on infrastructure over ten years. With a nominal GDP that will reach $409 billion in 2017-2018, this spending represents roughly 2.2% of Québec's nominal GDP.

Québec therefore plans to spend four times more on its infrastructure than what is planned by the federal government, in proportion to its economy.

Infrastructure investments over ten years by Québec and Canada in proportion to nominal GDP
(per cent)



Sources: Ministère des Finances du Québec, Secrétariat du Conseil du trésor and Finance Canada.

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[1] Calculation based on Department of Finance Canada data for 2017-2018 to 2026-2027 from the Building Canada Plan 2014-2024 and phases 1 and 2 of the federal infrastructure plan.

2.2 An implementation of phase 2 of the federal infrastructure plan that meets the provinces' needs

In fall 2016, the federal government announced a second phase in its infrastructure plan with $81.2 billion to be allocated for the 2017-2018 to 2027-2028 period. These funds will be used for public transit, green infrastructure, social infrastructure, and transportation in support of trade and rural and northern communities.

TABLE F.4

Sums estimated for Québec under phase 2 of the infrastructure federal plan, 2017-2018 to 2027-2028
(millions of dollars)

	Canada	Québec [2]
Public transit	25 300	5 819
Green infrastructure	21 900	5 037
Social infrastructure	21 900	5 037
Trade and transportation	10 100	2 323
Rural and northern communities	2 000	460
TOTAL	**81 200** [1]	**18 676**

(1) A sum of $15 billion will be allocated to the Canada Infrastructure Bank.
(2) Québec's estimated share is proportionate to its demographic share in Canada.
Sources: Department of Finance Canada and Ministère des Finances du Québec.

2.2.1 Funding allocated on a per capita basis and an adequate funding threshold

In the interest of fairness and to avoid sparking competition between provinces, Québec intends to ensure that the new sums under phase 2 be allocated on a per capita basis according to the Canadian population in each province and not to projects on a "merit" basis.

— Thus Québec would receive a sum of roughly $18.7 billion for the 2017-2018 to 2027-2028 period, based on its demographic share, which is nearly 23%.

Also, for phase 1 programs, the federal government's contribution was set at 50% of eligible costs to take into account the recipients' ability to pay.

— Québec is therefore asking the federal government to maintain its contribution rate at 50% for the new programs in phase 2.

2.2.2 Respecting Québec's priority sectors for investment

The Québec Infrastructure Plan (QIP) 2017-2027, with funding of $91.1 billion for the 2017 to 2027 period, will allow for the completion of infrastructure projects in all sectors.

— Based on its needs, Québec has chosen to contribute substantially to improving the road network, as well as to infrastructures in the health and social services, education and higher education, and research sectors.

Based solely on the four above-mentioned sectors, it is safe to say that nearly 60% of the total QIP 2017-2027 envelope, representing investments of at least $51 billion by the Québec government, will be ineligible for federal funding.

Consequently, Québec is asking for federal infrastructure programs to be more closely aligned with and complementary to the priorities targeted in the 2017-2027 QIP and for infrastructure projects in the road network, health and social services, education and higher education, and research sectors to be eligible.

TABLE F.5

Four of Québec's principal sectors for investment excluded from federal priorities

	2017-2027	
	$million	Proportion of the QIP in %
Road network	17 901	19.6
Health and social services	17 096	18.8
Education	8 879	9.7
Higher education and research	7 349	8.1
TOTAL	**51 225**	**56.2**

Furthermore, considering that the provinces do not all have the same infrastructure needs, Québec is asking the federal government to show greater flexibility by allowing transferability of funding between the five investment sectors it defined under the phase 2 framework. Thus the provinces will have greater flexibility to invest in one sector in preference to another, in accord with their specific needs.

Québec's expectations regarding the Canada Infrastructure Bank

Out of the $81.2–billion envelope for phase 2, a sum of $15 billion will be allocated to the Canada Infrastructure Bank (CIB) for public infrastructure in the sectors indicated in Table F.3.

— The CIB is expected to carry out investments in income-generating projects aimed at attracting capital from the private sector.

As with the other phase 2 programs, Québec expects to receive its fair share of the funds to be allocated to the CIB, corresponding to its demographic weight in Canada, and to propose the infrastructure projects it will have prioritized.

Furthermore, Québec considers the city of Montréal to be an ideal venue for the bank's head office, given that it already has cutting–edge expertise in engineering and major infrastructure projects, in particular thanks to the development of innovative models like that implemented for the Réseau électrique métropolitain (REM).

2.2.3 Taking into account Québec's accountability practices

Federal accountability requirements must respect the practices employed by the Québec government and Québec recipients when negotiating Canada-Québec infrastructure agreements.

— Over the years, Québec has adopted a series of policies and guidelines for governance of infrastructure projects. To this end, the Directive sur la gestion des projets majeurs d'infrastructure publique[3] determines the measures required to ensure rigorous management of major public infrastructure projects in Québec. It is also designed to promote best practices in project management within the established investment limits.

Québec is asking the federal government to recognize the probity and effectiveness of its governance of infrastructure projects and, consequently, to take into account the accountability practices that Québec already applies to its population and institutions for its own infrastructure programs.

2.2.4 Global agreements modelled on previous agreements

For the implementation of phase 2 of the federal infrastructure plan, Québec recommends a simple and effective way to accelerate negotiation of Canada-Québec agreements:

- apply the agreement models that have already been agreed to for the programs in phase 1 or the BCP 2014-2024;
- use global agreements, that is, one Canada–Québec agreement per program and avoid agreements project by project.

2.2.5 Adequate financial support for the Réseau électrique métropolitain, rapid bus service between Québec City and Lévis, and extension of the Montréal metro blue line

In January 2015, the Québec government and the Caisse de dépôt et placement du Québec announced the signing of an agreement to establish an innovative business model for carrying out major infrastructure projects. The agreement announced fixed as a priority the completion of the REM within the territory of the Communauté métropolitaine de Montréal.

Furthermore, given the importance of the Montréal metro, Québec announced extension of the blue line in 2013. This project will provide substantial benefits in respect of transportation, the environment and urban development.

Finally, the cities of Québec and Lévis in 2015 presented a bus rapid transit (BRT) project designed to integrate a structuring public transit network within their territories.

These three major projects require adequate federal funding that will contribute to implementing the most important public transit projects carried out in Québec.

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[3] GOUVERNEMENT DU QUÉBEC, *Directive sur la gestion des projets majeurs d'infrastructure publique*, Québec, 2016, in Public Infrastructures, on the Secrétariat du Conseil du trésor website, www.tresor.gouv.qc.ca.

3. THE EQUALIZATION PROGRAM MUST ACHIEVE ITS OBJECTIVE

Subsequent to the reform of the equalization program based on the recommendations of the Expert Panel on Equalization and Territorial Formula Financing (the O'Brien Report),[4] the equalization program operated adequately and fairly from March 2007 to November 2008. The program ensured that, after equalization payments, each of the recipient provinces had the same per capita fiscal capacity.

— During that period, the formula established fully achieved its objective of distributing wealth among the provinces, an objective that is enshrined in the *Constitution Act, 1982*.[5]

However, in November 2008, the federal government modified the equalization formula, without consulting the provinces, by imposing an inadequate individual cap and a GDP cap. Since then, the disparities in fiscal capacity are no longer fully offset as compared to the average of the fiscal capacity of the ten provinces, which distances the equalization program from its objective.

Consequently, Québec is asking the federal government to modify the program so that it will achieve its objective by:

— a return to the 2007 individual cap;

— the gradual elimination of the GDP cap.

Furthermore, Québec is demanding that the federal government rapidly settle the issue of unfair treatment accorded to Hydro-Québec dividends under the equalization program so that they will be treated in the same way as Hydro One dividends paid to the Ontario government.

3.1 A return to the 2007 individual cap

In accordance with the recommendation of the O'Brien report, the federal government in 2007 established an individual cap ensuring that a recipient province's fiscal capacity,[6] after equalization, did not exceed that of the least affluent of the non-recipient provinces.

— This cap was fair for both the least affluent of the provinces not receiving equalization and for the recipient provinces.

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[4] EXPERT PANEL ON EQUALIZATION AND TERRITORIAL FORMULA FINANCING, *Achieving a National Purpose: Putting Equalization Back on Track*, [Report], May 2006 in Publications on the Government of Canada website, www.publications.gc.ca.

[5] According to subsection 36(2) of the *Constitution Act, 1982*, "Parliament and the government of Canada are committed to the principle of making equalization payments to ensure that provincial governments have sufficient revenues to provide reasonably comparable levels of public services at reasonably comparable levels of taxation."

[6] This included 100% of revenue derived from natural resources and protection arising from offshore agreements.

- The recipient provinces thus had the same fiscal capacity after their equalization payments were taken into account.

The federal government unilaterally modified the formula in November 2008 by altering the 2007 individual cap so that a province receiving equalization could not be "richer" than the average of the recipient provinces (instead of the least "rich" of the non-recipient provinces).

- Thus any fiscal capacity including equalization payments that exceeds the fiscal capacity of the average of the recipient provinces is lowered to that average and the difference is deducted from the equalization payment.

- The cap reduces the equalization envelope of the recipient provinces that are better off in terms of natural resources, in particular Québec.

In the interest of fairness, Québec is asking the federal government to return to the 2007 individual cap so that the recipient provinces will have the same fiscal capacity after equalization.

3.2 Elimination of the GDP cap

In November 2008, the federal government established a second cap that limits growth in the equalization envelope to the rate of growth in Canada's nominal GDP, regardless of the disparities in fiscal capacity of the recipient provinces compared to the average of the ten provinces.

- Consequently, the GDP cap distances the equalization program from its objective of offsetting disparities in fiscal capacity as compared to the average of the ten provinces.

The GDP cap, by making the equalization envelope a closed envelope, means that the increase in equalization payments to one province occurs to the detriment of payments to the other recipient provinces: the program works like a zero-sum game.

- In 2017-2018 alone, the GDP cap deprived Québec of $445 million.

Québec is asking for the GDP cap to be gradually eliminated so that the equalization program can fully achieve its primary objective: to allow each province to have, after equalization, a fiscal capacity corresponding to the average of the ten provinces.

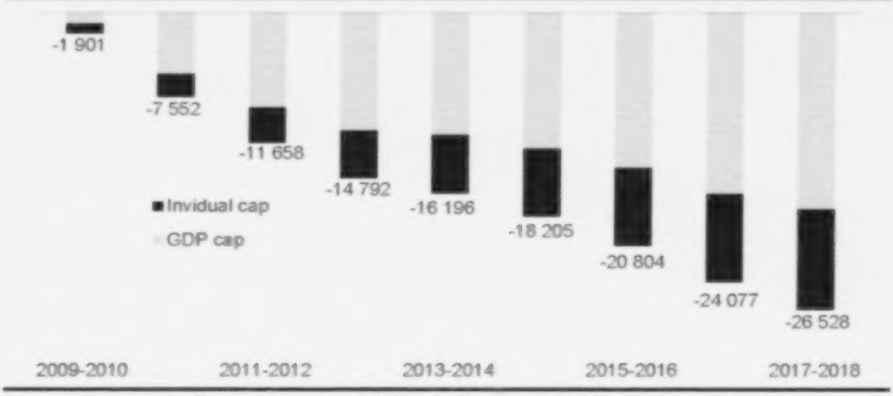
3.3 A substantial shortfall

Since 2009-2010, the two caps imposed by the federal government on the equalization program have deprived the recipient provinces of more than $26.6 billion in payments, including $9.0 billion resulting from the individual cap and $17.6 billion related to the GDP cap.

Among the provinces receiving equalization payments, Québec is the one that has been most heavily penalized, with losses of $13.3 billion.

CHART F.5

Cumulative losses due to caps for provinces receiving equalization, 2009-2010 to 2017-2018
(millions of dollars)



Sources: Department of Finance Canada and Ministère des Finances du Québec.

3.4 A reasonable proposal for restoring the program's objective

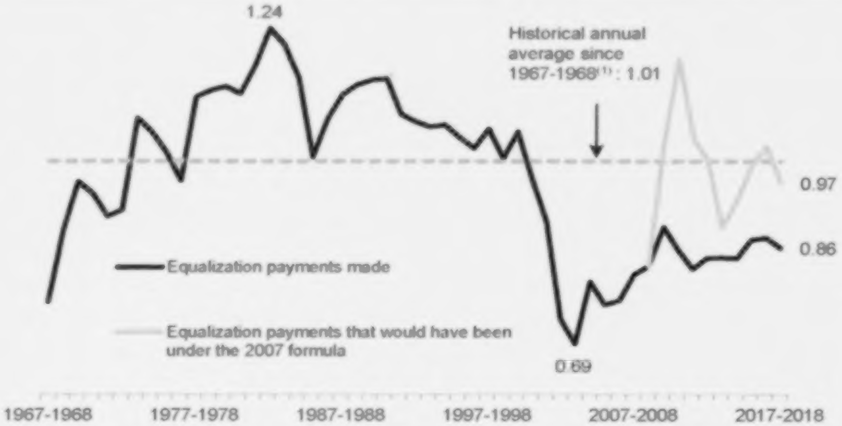
In 2017-2018, the equalization envelope will be $18.3 billion, a sum representing 0.86% of Canada's nominal GDP, whereas the historical annual average since 1967-1968 corresponds to 1.01%, which represents a difference of 0.15 percentage point.

- This 0.15–percentage point difference compared to the historical average will represent a shortfall of $3.3 billion in 2017-2018 for the recipient provinces.

It should be noted that if the federal government had maintained the 2007 formula, the cost of the equalization program would represent 0.97% of Canada's nominal GDP in 2017-2018, a level similar to the historical annual average.

CHART F.6

Equalization program as a proportion of Canada's nominal GDP, 1967-1968 to 2017-2018
(per cent)



(1) The calculation of the historical annual average since 1967-1968 integrates the equalization payments that would have been paid under the 2007 formula beginning 2009-2010.
Sources: Department of Finance Canada, Ministère des Finances du Québec and Statistics Canada.

Québec is asking the federal government to gradually increase the equalization envelope over a ten-year period, by an increase of $0.015 percentage point per year, so that it will correspond to the average of 1.01% of Canada's nominal GDP observed since 1967-1968.

— The gradual increase amounts to an additional $13 per capita per year for each of the recipient provinces.

3.5 Setting the record straight

There are a number of widely held but erroneous beliefs concerning the equalization program. It is time to set the record straight.

3.5.1 Quebecers are not the biggest recipients of equalization

With a payment of $11.1 billion in 2017-2018, Québec receives a large share of the equalization envelope, since it is the most populous recipient province (8.2 million inhabitants) after Ontario. However, Quebecers do not receive the highest equalization payment per capita.

— The residents of the other recipient provinces, Ontario excluded, receive higher equalization than Quebecers ($1 349 per capita).

— For example, New Brunswick receives $2 332 per capita, nearly twice what Québec receives.

TABLE F.6

Equalization and population of the recipient provinces – 2017-2018

	A	B	A × B
	$ per capita	Population	$million
Prince Edward Island	2 673	145 979	390
New Brunswick	2 332	754 694	1 760
Nova Scotia	1 886	943 221	1 779
Manitoba	1 419	1 282 794	1 820
Québec	**1 349**	**8 214 842**	**11 081**
Ontario	104	13 693 609	1 424
TOTAL	**729**	**25 035 139**	**18 254**

Note: Totals may not add due to rounding.
Source: Department of Finance Canada.

3.5.2 Equalization is a transfer from the federal government to the provinces

Equalization is a program funded by the federal government with revenue collected from taxpayers in all provinces.

— This means that all Canadian taxpayers participate financially in the program.

In other words, the equalization program is not a transfer between provinces, but rather a transfer between the federal government and the provinces.

3.5.3 Equalization revenue is a small share of the recipient provinces' total revenue

Own–source revenue (e.g. corporate income tax, personal income tax, consumption taxes) makes up the largest part of the revenue of the recipient provinces is, far ahead of revenue from equalization and other transfers from the federal government.

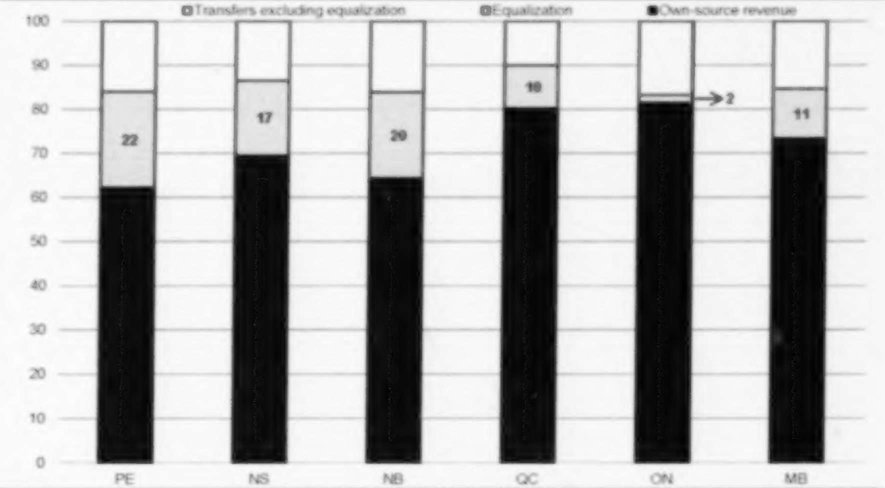
— More than 60% of the revenue of Prince Edward Island, New Brunswick and Nova Scotia is own-source revenue.

— For Manitoba, Québec and Ontario, the proportion is more than 70%.

On average, revenue from equalization represents only 7% of revenue of the recipient provinces and 11% if Ontario is excluded.

CHART F.7

Revenue sources of provinces receiving equalization – 2016-2017
(per cent)



Note: In the case of Québec, transfers excluding equalization are reduced by the value of the special Québec abatement.
Sources: Data drawn from the provinces' budgets and budget updates.

3.6 Fair treatment of Hydro-Québec dividends

Under the framework of the equalization program, the federal government in November 2008 unilaterally decided to transfer the dividends paid to the Ontario government by Hydro One, a corporation that transports and distributes electricity, from the natural resource base to the corporate income tax base.

However, the dividends from activities in transporting and distributing electricity paid to the Québec government by Hydro-Québec (30.2% of dividends in 2015) are still assigned to the natural resource base. This results in unfair treatment in calculating Québec's fiscal capacity.

The federal government's decision not to treat Hydro-Québec dividends in the same way as Hydro One dividends has incidentally caused substantial losses for Québec since 2009-2010.

- For 2017-2018 alone, Québec will sustain a financial loss of more than $370 million.
- Since 2009-2010, maintaining this practice has resulted in cumulative losses of more than $2.8 billion.

Québec has already–in 2014, when the formula was renewed–provided the federal government with all the necessary information for it to correct this unfair treatment. Despite repeated requests by Québec to do so, the federal government has not rectified the situation.

Québec is reiterating its request to the federal government to treat Hydro-Québec dividends related to the transport and distribution of electricity fairly by assigning them to the corporate income tax base under the equalization program, just as is done for Hydro One dividends.

CONCLUSION

In a context where the provinces are facing major economic and financial challenges, the federal government must be a part of the solution. Québec therefore expects the federal government to act as a partner by supplying adequate funding to help the provinces meet their citizens' expectations and ensure the sustainability of public services. This is why Québec is asking the federal government to:

— gradually increase the Canada Health Transfer envelope to 25% of provincial health spending;

— progressively restore the Canada Social Transfer envelope to its 1994-1995 level, taking into account the cost of living;

— return to the 2007 individual cap on equalization, gradually raise the equalization envelope over ten years to its historical share as a proportion of Canada's nominal GDP, and move quickly to resolve the issue of different treatment for Hydro-Québec dividends under the equalization program.

To promote economic growth over the short term, Québec is also asking to have the federal government rapidly confirm funding for the projects it has proposed under the Building Canada Plan 2014-2024 and, for the new investments in infrastructures, take into account, in particular, its real needs and its accountability practices.